

SHARE OFFER

DRAGON RISE GROUP HOLDINGS LIMITED 龍昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6829

SPONSOR



SOLE BOOKRUNNER AND SOLE LEAD MANAGER



IMPORTANT

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

DRAGON RISE GROUP HOLDINGS LIMITED 龍昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 300,000,000 Shares
Number of Placing Shares : 270,000,000 Shares (subject to re-allocation)
Number of Public Offer Shares : 30,000,000 Shares (subject to re-allocation)
Offer Price : Not more than HK\$0.40 per Offer Share and
expected to be not less than HK\$0.30 per
Offer Share, plus brokerage of 1.0%, SFC
transaction levy of 0.0027%, and Stock
Exchange trading fee of 0.005% (payable in
full on application in Hong Kong dollars and
subject to refund)
Nominal value : HK\$0.01 each
Stock code : 6829

Sponsor



Sole Bookrunner and Sole Lead Manager



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 by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or about Wednesday, 31 January 2018 and, in any event, not later than Friday, 2 February 2018. The Offer Price will be not more than HK\$0.40 per Offer Share and is currently expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.40 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$0.4 per Offer Share.

The Sole Bookrunner (for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.kitkee.com.hk. Further details are set out in the sections headed “Structure and conditions of the Share Offer” and “How to apply for Public Offer Shares” in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before 6:00 p.m. on Friday, 2 February 2018 (Hong Kong time), the Share Offer (including the Public Offer) will not proceed and will lapse. Please also see the section headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination of the Public Offer Underwriting Agreement” in this prospectus.

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

26 January 2018

EXPECTED TIMETABLE⁽¹⁾

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

Application lists open⁽²⁾ 11:45 a.m.
on Wednesday, 31 January 2018

Latest time to lodge **WHITE** and **YELLOW** Application
Forms and to give **electronic application instructions**
to HKSCC⁽³⁾ 12:00 noon
on Wednesday, 31 January 2018

Application lists close⁽²⁾ 12:00 noon
on Wednesday, 31 January 2018

Expected Price Determination Date⁽⁴⁾ Wednesday, 31 January 2018

(a) Announcement of the final Offer Price,
the level of indication of interest in the Placing,
the level of applications of the Public Offer,
the results of applications in the Public
Offer and the basis of allocation under the
Public Offer to be published on the website
of our Company at www.kitkee.com.hk;
and on the website of the Stock Exchange at
www.hkexnews.hk on or before⁽⁵⁾ Wednesday, 7 February 2018

(b) Results of allocations in the Public Offer
(with successful applicants' identification
document numbers, where appropriate) to be
available through a variety of channels as described
in the section headed "How to apply for Public
Offer Shares – 10. Publication of results" from Wednesday, 7 February 2018

A full announcement of the Public Offer containing
(a) and (b) above to be published on the
website of the Stock Exchange at www.hkexnews.hk⁽⁵⁾
and the website of our Company at www.kitkee.com.hk⁽⁶⁾ Wednesday, 7 February 2018

Results of allocations in the Public Offer will be
available at www.whiteform.com.hk/results with a
"search by ID" function on Wednesday, 7 February 2018

EXPECTED TIMETABLE⁽¹⁾

Despatch/collection of share certificates of the Offer Shares
or deposit of share certificates of the Offer Shares into
CCASS in respect of wholly or partially successful
applications pursuant to the Public Offer on or before⁽⁷⁾ Wednesday, 7 February 2018

Despatch/collection of refund cheques in respect of
successful applications (in the event that the final Offer Price
is less than initial price per Public Offer Share payable on
application) and wholly or partially unsuccessful
applications pursuant to the Public Offer on or before⁽⁸⁾ Wednesday, 7 February 2018

Dealing in the Shares on the Stock Exchange expected
to commence on Thursday, 8 February 2018

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 31 January 2018, the application lists will not open and close on that day. Please refer to the section headed “How to apply for Public Offer Shares – 9. 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, 31 January 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
3. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Wednesday, 31 January 2018 and in any event, not later than Friday, 2 February 2018. If, for any reason, the final Offer Price is not agreed by 6:00 p.m. on Friday, 2 February 2018 between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.
5. The announcement will be available for viewing on the “Main Board – Allotment of Results” page on the website of the Stock Exchange at www.hkexnews.hk.
6. None of the information contained on any website forms part of this prospectus.
7. Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 February 2018 or any other date as notified by us as the date of despatch of share certificates and refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong. Applicants who have applied on **YELLOW** Application Forms may collect their refund cheques (if applicable) in person, may not elect to collect their share certificates, which will be deposited

EXPECTED TIMETABLE⁽¹⁾

into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

8. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Share certificates are expected to be issued on Wednesday, 7 February 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 8 February 2018 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, any of their respective directors, affiliates, employees, agents or professional advisers or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims at giving 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 this prospectus in its entirety before you decide to invest in the Offer Shares.

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

Various expressions used in this summary are defined in the section headed “Definitions and glossary” in this prospectus.

BUSINESS OVERVIEW

We are a long-established subcontractor of foundation works services in Hong Kong since the incorporation of Kit Kee Engineering in 1993. During the Track Record Period, foundation works undertaken by us mainly included ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services including dismantling of shoring, site formation, steel fixing and site clearance. Our services are mainly required in the construction of commercial and residential buildings.

The following table sets out a breakdown of our total revenue and gross profit margin during the Track Record Period by types of foundation works:

	FY2014/15			FY2015/16			FY2016/17			For the six months ended 30 September 2016			For the six months ended 30 September 2017		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	%	%
Foundation works															
- ELS and pile cap construction works	425,463	91.1	4.7	572,062	92.6	10.4	565,489	95.3	12.1	262,705	95.7	11.1	439,099	96.0	12.2
- Disposal of excavated materials from piling	35,209	7.5	10.3	38,783	6.3	10.4	26,115	4.4	10.9	10,943	4.0	10.8	15,045	3.3	12.1
- Ancillary services	6,630	1.4	7.2	7,001	1.1	9.2	1,968	0.3	12.0	889	0.3	11.5	3,218	0.7	12.8
Total	467,302	100	5.2	617,846	100	10.3	593,572	100	12.0	274,537	100	11.1	457,362	100	12.2

SUMMARY

During the Track Record Period, we had a total of 90 projects which contributed revenue to us. The following table sets out a breakdown of our revenue by project nature and number of projects with revenue contribution to us during the Track Record Period:

	FY2014/15				FY2015/16				FY2016/17				For the six months ended 30 September 2016				For the six months ended 30 September 2017			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>	<i>No. of projects</i>	<i>HK\$'000</i>	<i>%</i>	<i>%</i>
				<i>(Note 1)</i>				<i>(Note 2)</i>				<i>(Note 3)</i>				<i>(Note 4)</i>				
												(unaudited)								
Private sector	35	355,815	76.1	5.2	27	369,990	59.9	8.9	25	412,053	69.4	11.4	18	156,296	56.9	10.0	34	348,815	76.3	12.5
Public sector	8	111,487	23.9	5.0	7	247,856	40.1	12.5	8	181,519	30.6	13.6	6	118,241	43.1	12.7	8	108,547	23.7	11.4
Total	43	467,302	100	5.2	34	617,846	100	10.3	33	593,572	100	12.0	24	274,537	100	11.1	42	457,362	100	12.2

Notes:

- Out of the 34 projects which contributed revenue to the FY2015/16, 22 projects also contributed revenue to the FY2014/15.
- Out of the 33 projects which contributed revenue to the FY2016/17, 8 projects and 17 projects also contributed revenue to the FY2014/15 and FY2015/16, respectively.
- Out of 24 projects which contributed revenue to the six months ended 30 September 2016, 6 projects and 15 projects also contributed revenue to the FY2014/2015 and FY2015/16, respectively.
- Out of 42 projects which contributed revenue to the six months ended 30 September 2017, 4 projects, 7 projects and 16 projects also contributed revenue to the FY2014/15, FY2015/16 and FY2016/17, respectively.

OUR CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, our customers are main contractors in Hong Kong.

Customer concentration

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 100.0%, 99.8%, 99.6% and 98.0%, respectively. In particular, the percentage of our total revenue attributable to our largest customer, Customer Tysan, amounted to approximately 89.4%, 94.9%, 80.0% and 68.3%, respectively, for the same periods. Customer Tysan refers collectively to Tysan Foundation Limited and Tysan Foundation Geotechnical Limited, both of which are subsidiaries of Hong Kong International Construction Investment Management Group Co., Limited (previously known as Tysan Holdings Limited) (stock code: 687) (“**HKICIM**”, together with its subsidiaries, “**HKICIM Group**”), the shares of which are

SUMMARY

listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$8.4 billion as at the Latest Practicable Date. Our Directors consider that the significant revenue contribution from Customer Tysan to our Group was caused by a combination of the following key factors:

- We have long-standing business relationship with the Customer Tysan since our first contract in 1998. Due to such long-standing relationship, we have therefore been inclined to accommodate their demands for our services as far as our resources allowed instead of turning down their requests.
- HKICIM Group is one of the largest foundation contractors in Hong Kong according to the Ipsos Report. According to the latest annual report of HKICIM, it has a considerable number of ongoing construction projects and it would continue with its existing businesses including property development, foundation piling and site investigation in Hong Kong. Our Directors consider that a major player in the foundation construction industry in Hong Kong would normally have substantial demands for foundation works services from subcontractors which are capable of providing reliable and quality services and with which it has a long-standing relationship.

Our Directors believe that our relationship with Customer Tysan could enhance our project references through building a positive reputation in the industry. For further information, please refer to the section headed “Business – Customers – Our relationship with Customer Tysan” in this prospectus.

Although the percentage of our total revenue attributable to Customer Tysan during the Track Record Period was high, we identify and take on new customers from time to time and have no intention to limit ourselves to serving Customer Tysan only. With our effort to diversify our customer base, the revenue generated from our customers other than Customer Tysan had increased from approximately HK\$49.7 million for FY2014/15 to HK\$118.8 million for FY2016/17 and further increased to approximately HK\$145.0 million for the six months ended 30 September 2017, which represented approximately 10.6%, 20.0% and 31.7% of our revenue during the respective years/period.

For further information, please refer to the section headed “Business – Customers – Customer concentration” in this prospectus.

OUR SUPPLIERS

During the Track Record Period, our suppliers include (i) suppliers of construction materials required for performing foundation works such as steel bars, structural steel and concrete; (ii) our subcontractors; and (iii) suppliers of other miscellaneous services such as the transportation of machinery and transportation of excavated materials from piling, the rental of machinery, repair and maintenance of machinery and the supply of fuel for powering machinery. For further information regarding our suppliers, please refer to the section headed “Business –

SUMMARY

Suppliers” in this prospectus. Our Group may from time to time subcontract some of our works depending on the availability of our labour resources and the costs of performing the works using our own resources. For each of the FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our subcontracting charges amounted to approximately HK\$69.5 million, HK\$83.1 million, HK\$88.0 million and HK\$107.7 million, respectively. The major cost components of our Group’s operation include subcontracting charges, cost of construction materials and direct staff costs, which in aggregate accounted for approximately 78.8%, 84.6%, 80.2% and 87.6% of our total direct costs for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively.

Supplier concentration

Our five largest suppliers accounted for approximately 71.8%, 78.3%, 72.9% and 66.6% of our total purchases for each of FY2014/2015, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively. In particular, approximately 34.3%, 55.5%, 36.3% and 41.3% of our total purchases were attributable to our largest supplier for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier as discussed in the section headed “Business – Suppliers – Supplier concentration” in this prospectus.

OUR MACHINERY

The construction machinery owned by us mainly include excavators, cranes, crushers and drill rigs. We believe that our investment in machinery has placed us in a position to cater for foundation works of different scales and complexities and to meet the growing demand in the foundation industry in Hong Kong in the future. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we purchased new construction machinery in the amount of approximately HK\$17.6 million, HK\$4.7 million, HK\$7.0 million and HK\$4.7 million at costs, respectively. For further information regarding our machinery, please refer to the section headed “Business – Machinery” in this prospectus.

REGISTRATION

Kit Kee Engineering, our principal operating subsidiary, has registered under the Subcontractor Registration Scheme of the Construction Industry Council. Although registration under the Subcontractor Registration Scheme is voluntary, such registration is required for subcontractors to participate in public sector projects commissioned by certain Government authorities and statutory bodies, such as the Housing Authority. Kit Kee Engineering obtained such registration so as to broaden our potential customer base and to enable us to participate in public sector projects commissioned by the Housing Authority and other relevant Government authorities and statutory bodies. For further details, please refer to the section headed “Business – Licences and qualifications” in this prospectus.

SUMMARY

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

Foundation industry is one of the specific area of the Hong Kong construction industry. In 2016, the total revenue of foundation industry accounted for approximately 10.8% of the total gross output value performed by main contractors and subcontractors at construction sites in Hong Kong. From 2011 to 2016, the total revenue of the foundation industry grew from approximately HK\$13.0 billion to approximately HK\$20.3 billion at a CAGR of approximately 9.3%.

Competition has intensified in Hong Kong's foundation industry. Specifically, some contractors are now raising capital by way of listing on the Stock Exchange to expand the scope of their services and business volume by purchasing more specialised machinery for foundation works. Such business expansion plans of foundation contractors in Hong Kong has led to an increase in competition for available foundation projects. According to the Ipsos Report, it is estimated that our current market share in the foundation industry in Hong Kong was approximately 2.9% in 2016. For further information, please refer to the section headed "Industry overview" in this prospectus.

We believe that our competitive strengths include (i) our established market presence in the foundation industry in Hong Kong; (ii) a wide variety of construction machinery to carry out foundation works; (iii) well-established long term relationship with customers; and (iv) our experienced and dedicated management team.

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

BUSINESS STRATEGIES

In order to maintain our competitive edge and provide comprehensive services to our customers, our objective is to strengthen our market position in the foundation industry in Hong Kong. We intend to pursue the following business strategies: (i) further enhancing our construction machinery fleet in order to enable us to undertake foundation works of different scales and complexities and to meet the expected growing demand in the foundation industry in Hong Kong in the future. Further, we plan to acquire new machines and equipment which are more environmental friendly and are able to obtain approval under the NRMM Regulation if applicable; (ii) further expanding our labour force by recruiting staffing for project management and supervision, project execution, administrative and accounting staff in order to cope with our business development and our planned purchases of additional machinery, as well as arranging more training courses for our workers; and (iii) further reinforcing our sales and marketing effort in order to enhance our corporate image, maintain customer relationship and further expand our clientele. For further information, please refer to the section headed "Business – Business strategies" in this prospectus.

SUMMARY

MARKETING AND PRICING

During the Track Record Period, we secured new businesses mainly through direct invitations for quotation or tender by customers. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in the foundation industry in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management. During the Track Record Period, we had also, upon our customers' request, occasionally sponsored business events organised by our customers.

In relation to our pricing strategy, we normally charge our customers pursuant to the bill of quantities based on our contracts. Once we first receive invitations for fee quotation or tender, we estimate the total costs involved in a project in order to determine our fee quotation or tender price. Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the estimated costs of construction materials; (ii) the estimated number and types of workers required; (iii) the complexity of the project; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) any subcontracting which is expected to be necessary; (viii) prices offered to the customer in the past; and (ix) the prevailing market conditions. We then prepare our quotation based on a certain percentage of markup over our estimated cost. For further information, please refer to the section headed "Business – Sales and marketing" in this prospectus.

After finalising our tender proposal and/or fee proposal, we provide our quotation and/or make tender submission to our potential customer. It is our strategy to be responsive to our customers' tender and quotation invitations and actively submit tenders and quotations to our customers when invited. Our Directors believe that this can enable us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future.

PRINCIPAL RISK FACTORS

Our Director believe that there are certain risks and uncertainties involved in our operations. Some of the material risks include:

- Most of our revenue during the Track Record Period was derived from projects awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial performance.
- Our revenue is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new businesses.
- We determine our quotation or tender price based on the estimated time and costs involved in a project and any material inaccurate estimation or cost overrun may adversely affect our financial results.

SUMMARY

Further details of the risks we are exposed to are set out in the section headed “Risk factors” in this prospectus. Potential investors are advised to read the section headed “Risk factors” carefully before making any investment decision in the Offer Shares.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

<i>(Expressed in HK\$'000 except tender and quotation success rate data and financial ratios)</i>	FY2014/15 or as at 31 March 2015	FY2015/16 or as at 31 March 2016	FY2016/17 or as at 31 March 2017	For the six months ended 30 September 2017
Results of operations				
Revenue	467,302	617,846	593,572	457,362
Gross profit	24,233	63,947	71,494	55,971
Profit before income tax	16,621	52,866	57,400	40,957
Profit for the year	13,777	44,019	47,337	32,625
Cash flows				
Net cash generated from operating activities	25,021	12,896	81,135	129
Net cash (used in)/generated from investing activities	(9,511)	(8,451)	712	(1,841)
Net cash used in financing activities	(4,597)	(5,643)	(52,654)	(2,135)
Net (decrease)/increase in cash and cash equivalents	10,913	(1,198)	29,193	(3,847)
Operational statistics				
<i>Quotation success rate</i>				
Number of quotation invitations received	132	95	97	40
Number of quotations submitted	117	86	86	39
Number of contracts awarded ^(Note 1)	11	9	8	5
Success rate ^(Note 1)	9.4%	10.5%	9.3%	12.8%
<i>Tender success rate</i>				
Number of tender invitations received	94	93	119	45
Number of tenders submitted	87	79	110	40
Number of contracts awarded ^(Note 1)	7	17	11	3
Success rate ^(Note 1)	8.0%	21.5%	10.0%	7.5%

SUMMARY

<i>(Expressed in HK\$'000 except tender and quotation success rate data and financial ratios)</i>	FY2014/15 or as at 31 March 2015	FY2015/16 or as at 31 March 2016	FY2016/17 or as at 31 March 2017	For the six months ended 30 September 2017
Financial position				
Non-current assets	27,302	21,286	17,544	17,217
Current assets	142,054	161,255	149,716	197,200
Non-current liabilities	12,550	9,674	5,789	4,451
Current liabilities	83,447	55,489	43,091	58,961
Net current assets	58,607	105,766	106,625	138,239
Total equity	73,359	117,378	118,380	151,005
Key financial ratio				
Gross profit margin	5.2%	10.3%	12.0%	12.2%
Net profit margin	2.9%	7.1%	8.0%	7.1%
Return on equity	18.8%	37.5%	40.0%	21.6%
Return on total assets	8.1%	24.1%	28.3%	15.2%
Current ratio	1.7	2.9	3.5	3.3
Trade receivables turnover days	12.3 days	10.9 days	17.0 days	17.9 days
Trade payables turnover days	32.4 days	29.6 days	24.2 days	15.9 days
Gearing ratio ^(Note 2)	51.7%	13.7%	10.2%	6.6%

Notes:

- (1) Tender and quotation success rate for a financial year/period is calculated based on the number of contracts awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders and quotations submitted during that financial year/period.
- (2) Gearing ratio is calculated as total borrowings (including finance lease liabilities and amounts due to a director) divided by the total equity as at the respective reporting dates.

Our revenue increased from approximately HK\$467.3 million for FY2014/15 to approximately HK\$617.8 million for FY2015/16, which was mainly because, among other things, (i) we increased our efforts in pursuing projects of relatively larger scale and higher income; (ii) we experienced an increase in demand for our services; and (iii) we made substantial investments in machinery which increased our overall capacity and efficiency and enabled us to undertake more projects. Nevertheless, our revenue decreased from approximately HK\$617.8 million for FY2015/16 to approximately HK\$593.6 million for FY2016/17. This is mainly because of the decrease in the number of projects with revenue contribution in FY2016/17 as the majority of projects for FY2015/16 were brought forward from FY2014/15 with significant amount of revenue recognised in FY2015/16 while the majority of projects for FY2016/17 were new projects at their initial stages in which substantial amount of revenue was expected to be recognised closer to completion in the future financial years.

Our revenue increased from approximately HK\$274.5 million for the six months ended 30 September 2016 to approximately HK\$457.4 million for the six months ended 30 September 2017. Such increase was mainly because (i) we increased our efforts in pursuing projects of relatively larger scale and higher income; (ii) there was an increase in the number of projects

SUMMARY

with revenue contribution during the six months ended 30 September 2017; and (iii) we derived a higher amount of recognised revenue from 11 projects for the six months ended 30 September 2017 when compared with the amount of recognized revenue of the same projects for the six months ended 30 September 2016, resulting in higher amount of recognised revenue.

Despite the recognition of listing expenses in FY2016/17 and the six months ended 30 September 2017 and the tax effect of the non-deductible listing expenses, our net profit increased from approximately HK\$44.0 million for FY2015/16 to approximately HK\$47.3 million for FY2016/17 and increased from approximately HK\$23.2 million for the six months ended 30 September 2016 to approximately HK\$32.6 million for the six months ended 30 September 2017, representing an increase of approximately 7.5% and 40.5% as a result of, in particular, the increase in our gross profit and gross profit margin. For further information, please refer to the paragraph headed “Financial information – Period-to-period comparison of results of operations” in this prospectus.

For FY2014/15 and FY2015/16, we recorded net cash generated from operating activities of approximately HK\$25.0 million and HK\$12.9 million respectively. The decrease was mainly due to (i) the cash advances by our Group to Mr. Yip for his personal use during FY2015/16; and (ii) the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at the respective year end dates. For FY2016/17, we recorded net cash generated from operating activities of approximately HK\$81.1 million. The increase was mainly due to the cash inflow from the settlement of amount due from Mr. Yip to our Group during FY2016/17. For the six months ended 30 September 2016 and the six months ended 30 September 2017, we recorded net cash generated from operations of approximately HK\$72.0 million and HK\$129,000 respectively. The decrease was mainly due to (i) the cash inflow from the settlement of amount due from Mr. Yip to our Group during the six months ended 30 September 2016; and (ii) the amount and timing of billing to and receipts from our customers as well as the amount and timing of payments to our suppliers as at 30 September 2017.

For FY2014/15 and FY2015/16, our Group recorded net cash used in investing activities of approximately HK\$9.5 million and HK\$8.5 million respectively, which was mainly attributable to the cash used in purchasing construction machinery such as excavators and cranes as well as purchasing financial assets at fair value through profit or loss (being unlisted investment funds purchased from a bank in Hong Kong and certain listed equity investments in Hong Kong). For FY2016/17, our Group recorded net cash generated from investing activities of approximately HK\$712,000. The change from negative to positive cashflow in investing activities in FY2016/17 was mainly due to the proceeds from the disposal of financial assets at fair value through profit or loss. For the six months ended 30 September 2016 and the six months ended 30 September 2017, we recorded net cash used in investing activities of approximately HK\$8.2 million and HK\$1.8 million respectively, which was mainly attributable to cash used in purchasing construction machinery such as excavators and cranes as well as purchasing financial assets at fair value through profit or loss.

SUMMARY

For FY2014/15, FY2015/16 and FY2016/17, our Group recorded net cash used in financing activities of approximately HK\$4.6 million, HK\$5.6 million and HK\$52.7 million respectively. The significant increase in FY2016/17 was mainly attributable to the payment of dividends in FY2016/17. For the six months ended 30 September 2016 and the six months ended 30 September 2017, we recorded net cash used in financing activities of approximately HK\$35.3 million and HK\$2.1 million respectively. The significant decrease for the six months ended 30 September 2017 was mainly attributable to the payment of dividends for the six months ended 30 September 2016 while there was no dividend paid during the six months ended 30 September 2017.

We experienced a relatively stable quotation success rate for FY2014/15, FY2015/16 and FY2016/17 while our tender success rate increased from 8.0% for FY2014/15 to 21.5% for FY2015/16 and then decreased to 10.0% for FY2016/17. Our Directors are of the view that the higher tender success rate recorded in FY2015/16 was mainly due to our more competitive pricing strategy for tenders submitted in FY2015/16 in an attempt to secure more new projects as certain major projects were completed in FY2014/15 and FY2015/16. In view of the good business relationship with our customers and our proven track record as a quality contractor in handling foundation works, our tender success rate was higher with our competitive pricing strategy for tenders in FY2015/16. Our tender success rate decreased to approximately 7.5% while our quotation success rate increased to approximately 12.8% for the six months ended 30 September 2017. In implementing our business strategy of diversifying our customer base, we have placed more emphasis on securing business opportunities offered by customers other than Customer Tysan, where a majority of such customers required only quotation submissions rather than tender submissions, while we placed relatively less emphasis on our tender submissions to Customer Tysan, resulting on the decrease in our tender success rate and the increase in our quotation success rate.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, our net current assets amounted to approximately HK\$58.6 million, HK\$105.8 million, HK\$106.6 million and HK\$138.2 million, respectively. The increase in our net current assets was mainly due to the increase in our trade and other receivables as a result of our business growth during the Track Record Period, and the decrease in our current liabilities as a result of, among other things, the decrease in trade and other payables, secured borrowings and amount due to a director.

Our return on equity increased from approximately 18.8% for FY2014/15 to approximately 37.5% for FY2015/16, and further increased to approximately 40.0% for FY2016/17, mainly because we made substantial investments in machinery and manpower in FY2014/15 and our Directors consider that it takes time for these investments to fully pay off and thus resulting in a lower return on equity for FY2014/15. These investments enabled us to undertake more projects that were of relatively larger scale and higher income in FY2015/16 and FY2016/17, which contributed to the increase in our return on equity. Our return on equity remained relatively stable at approximately 21.8% for the six months ended 30 September 2016 and at approximately 21.6% for the six months ended 30 September 2017.

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Our gearing ratio was approximately 51.7% as at 31 March 2015, approximately 13.7% as at 31 March 2016, approximately 10.2% as at 31 March 2017 and approximately 6.6% as at 30 September 2017. The decrease in our gearing ratio during FY2014/15, FY2015/16 and FY2016/17 was mainly due to the settlement of amount due to a director, finance leases liabilities and borrowings in view of our profitable operations in FY2015/16, FY2016/17 and the six months ended 30 September 2017.

Please refer to the section headed “Financial Information” in this prospectus for a further discussion and analysis of our financial information.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by Fame Circle, which in turn is owned as to 100% by Mr. Yip. Both Mr. Yip and Fame Circle will be regarded as our Controlling Shareholders. For further information, please refer to the paragraph headed “Relationship with our Controlling Shareholders – Controlling Shareholders” in this prospectus.

Mr. Yip is our executive Director, chairman of the Board and one of the founders of our Group. Please refer to the section headed “Directors and senior management – Executive Directors” in this prospectus for the biographical information of Mr. Yip.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, Kit Kee Engineering had settled one employees’ compensation claim and one personal injury claim. As at the Latest Practicable Date, there were eight ongoing claims against Kit Kee Engineering, out of which four were employees’ compensation claims and the other four were personal injury claims. Our Directors confirm that the above litigation claims had been or are expected to be covered by the insurance policies taken out by our main contractors. In addition, there were three ongoing litigations against Kit Kee Engineering in relation to its business operations, and the Legal Counsel opined that the estimated penalty on Kit Kee Engineering would likely be a fine of HK\$3,000 to HK\$20,000 per conviction. For further details, please refer to the section headed “Business – Litigation and claims” in this prospectus.

NON-COMPLIANCES

During the Track Record Period, our Group had been involved in certain safety-related non-compliances, which resulted in an aggregate amount of fines of HK\$65,000. There was no imprisonment sentence imposed on our Directors or the responsible personnel of our Group. On 27 October 2017, we received two summonses concerning work safety issues after the routine inspections of work sites conducted by the Labour Department. For further details, please refer to the section headed “Business – Non-compliances” in this prospectus.

SUMMARY

OFFERING STATISTICS

Number of the Offer Shares: 300,000,000 Shares

Offer Price: Not more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)

	Based on an Offer Price of HK\$0.30 HK\$	Based on an Offer Price of HK\$0.40 HK\$
Market capitalisation	360.0 million	480.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share attributed to the Shareholders (<i>Note</i>)	0.19	0.21

Note: Please refer to Appendix II to this prospectus for the bases and assumptions in calculating this figure. In particular, the unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,200,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of the Capitalisation issue and the Share offer.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.9 million. Out of the amount of approximately HK\$23.9 million, approximately HK\$7.9 million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$16.0 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$16.0 million that shall be charged to profit or loss, nil, nil, approximately HK\$3.5 million and approximately HK\$9.2 million has been charged for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively, and approximately HK\$3.3 million is expected to be incurred for the remaining six months ending 31 March 2018. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2017/18 is expected to be affected by the estimated expenses in relation to the Listing.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer based on the Offer Price of HK\$0.35 per Share being the mid-point of the indicative Offer Price range of HK\$0.30 per Offer Share to HK\$0.40 per Offer Share, after deducting related expenses in connection with the Share Offer, are estimated to be approximately HK\$81.1 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$53.2 million, representing approximately 65.6% of the net proceeds from the Share Offer, will be utilised for enhancing our machinery by acquiring additional excavators and cranes in the next three years.
- approximately HK\$17.0 million, representing approximately 21.0% of the net proceeds from the Share Offer, will be utilised for strengthening our manpower by recruiting additional staff, including project management and execution staff as well as human resources, administrative and accounting staff, in the next three years.
- approximately HK\$4.2 million, representing approximately 5.2% of the net proceeds from the Share Offer, will be utilised for increasing our marketing efforts over the next three years by setting up dedicated web pages for marketing our services, displaying our company name prominently in our work sites and on our plant and machinery, placing advertisements in industry publications, sponsoring more business events and charity functions organised by our customers, sending more promotional materials to our existing and potential customers and approaching potential customers more actively to secure new business opportunities.
- approximately HK\$6.7 million, representing approximately 8.2% of the net proceeds from the Share Offer, will be utilised as our general working capital.

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

DIVIDEND

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we declared dividends of nil, nil and approximately HK\$46.7 million and nil, respectively to our then shareholder. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the laws applicable to our Group. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

SUMMARY

RECENT DEVELOPMENT

According to the Ipsos Report, filibuster has impeded the operations of Legislative Council and the Government's implementation of policies in the 2016–17 financial year, including public construction projects. It caused the slow growth in the construction industry in 2016 due to the failure or delay of passing of budgets of public construction projects. The Legislative Council went into prorogue in July 2017 for the 2016–17 financial year, and the impact of the previous filibuster on the Government's release on public works budget will not be eliminated completely in a short time. Notwithstanding the political filibuster, the number of public housing produced increased at a CAGR of 0.9% from 13,672 units in 2011 to 14,264 units in 2016 according to the Ipsos Report. The growth can be attributed to the Government's initiatives to increase the public housing supply. In addition, our revenue generated from public sector projects was approximately 23.9% in FY2014/15, approximately 30.6% in FY2016/17 and approximately 23.7% for the six months ended 30 September 2017 of our total revenue. Based on the Ipsos Report and our revenue attributable to public sector during the Track Record Period, our Directors are of the view that the political filibuster do not impose material impact on our Group.

As at the Latest Practicable Date, we had 25 projects on hand (including projects in progress as well as projects awarded to us but yet commenced) with a total estimated contract sum of approximately HK\$1,217.9 million, of which approximately HK\$680.4 million had been recognised as revenue during the Track Record Period, and approximately HK\$537.5 million is expected to be recognised as revenue for the remaining six months for FY2017/18 and thereafter.

Our revenue was approximately HK\$457.4 million for the six months ended 30 September 2017, representing an increase of approximately 66.6% from approximately HK\$274.5 million for the six months ended 30 September 2016. Such increase was mainly due to (i) we increased our efforts in pursuing projects of relatively larger scale and higher income; (ii) there was an increase in the number of projects with revenue contribution during the six months ended 30 September 2017; and (iii) we derived a higher amount of recognised revenue from 11 projects for the six months ended 30 September 2017 when compared with the amount of recognised revenue of the same projects for the six months ended 30 September 2016, resulting in higher amount of recognised revenue. Our gross profit margin for the six months ended 30 September 2017 was approximately 12.2% which was generally in line with the gross profit margin for FY2016/17 of approximately 12.0% as majority of the projects with significant revenue contribution for the six months ended 30 September 2017 were brought forward from FY2016/17.

SUMMARY

The table below sets forth a full list of our projects on hand as at 1 October 2017 as well as projects that have been awarded to us from 1 October 2017 and up to the Latest Practicable Date:

Project	Customer	Types of work	Actual/ expected commencement date <i>(Note 2)</i>	Actual/ expected completion date <i>(Note 3)</i>	Total contract sum <i>(Note 4)</i> <i>HK\$'000</i>	Amount of revenue recognised during the Track Record Period <i>HK\$'000</i>	Amount of revenue expected to be recognised for the remaining six months for FY2017/18 <i>HK\$'000</i>	Amount of revenue expected to be recognised for FY2018/19 <i>HK\$'000</i>
1	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	January 2017	February 2018	85,584	FY2016/17: 10,345 For the six months ended 30 September 2017: 42,454	32,785	-
		Disposal of excavated materials from piling	January 2016	July 2017	6,026	FY2015/16: 364 FY2016/17: 5,208 For the six months ended 30 September 2017: 454	-	-
2	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	April 2016	August 2018	165,797	FY2016/17: 77,025 For the six months ended 30 September 2017: 56,102	24,200	8,470
		Disposal of excavated materials from piling	April 2015	April 2016	2,855	FY2015/16: 2,829 FY2016/17: 26	-	-
		Ancillary services	November 2015	June 2016	1,775	FY2015/16: 1,608 FY2016/17: 167	-	-
3	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works,	April 2017	September 2018	149,200	For the six months ended 30 September 2017: 1,599	20,637	126,964
		Disposal of excavated materials from piling	June 2016	December 2017	12,628	FY2016/17: 5,864 For the six months ended 30 September 2017: 6,764	-	-
4	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	September 2016	July 2018	141,657	FY2016/17: 56,753 For the six months ended 30 September 2017: 59,212	7,443	18,249

SUMMARY

Project	Customer	Types of work	Actual/ expected commencement date (Note 2)	Actual/ expected completion date (Note 3)	Total contract sum (Note 4) HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue expected to be recognised for the remaining six months for	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
							FY2017/18 HK\$'000	
5	Customer Tysan (Note 1)	ELS and pile cap construction works	April 2017	September 2018	107,678	For the six months ended 30 September 2017: 20,066	26,412	61,200
		Disposal of excavated materials from piling	October 2016	February 2017	1,301	FY2016/17: 1,301	-	-
6	Customer Tysan (Note 1)	ELS and pile cap construction works	November 2016	December 2017	55,471	FY2016/17: 17,831 For the six months ended 30 September 2017: 33,042	4,598	-
		Disposal of excavated materials from piling	September 2015	November 2016	3,707	FY2015/16: 1,331 FY2016/17: 2,376	-	-
7	Customer Tysan (Note 1)	ELS and pile cap construction works	April 2017	February 2018	34,313	For the six months ended 30 September 2017: 2,456	31,857	-
		Disposal of excavated materials from piling	July 2016	May 2017	1,953	FY2016/17: 772 For the six months ended 30 September 2017: 1,181	-	-
8	Customer Tysan (Note 1)	ELS and pile cap construction works	April 2017	December 2017	26,067	For the six months ended 30 September 2017: 18,274	7,793	-
		Disposal of excavated materials from piling	August 2016	June 2017	6,229	FY2016/17: 3,828 For the six months ended 30 September 2017: 2,401	-	-
9	Customer Tysan (Note 1)	ELS and pile cap construction works	November 2016	December 2017	35,393	FY2016/17: 11,972 For the six months ended 30 September 2017: 11,108	12,313	-
		Disposal of excavated materials from piling	November 2015	October 2016	1,558	FY2015/16: 443 FY2016/17: 1,115	-	-

SUMMARY

Project	Customer	Types of work	Actual/ expected commencement date (Note 2)	Actual/ expected completion date (Note 3)	Total contract sum (Note 4) HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
							expected to be recognised for the remaining six months for FY2017/18 HK\$'000	
10	Customer Tysan (Note 1)	ELS and pile cap construction works	May 2017	December 2017	16,071	For the six months ended 30 September 2017: 10,066	6,005	-
		Disposal of excavated materials from piling	October 2016	June 2017	203	FY2016/17: 191 For the six months ended 30 September 2017: 12	-	-
11	Customer Tysan (Note 1)	ELS and pile cap construction works	October 2015	December 2017	131,383	FY2015/16: 26,887 FY2016/17: 80,252 For the six months ended 30 September 2017: 22,028	2,216	-
		Disposal of excavated materials from piling	April 2015	June 2017	2,993	FY2015/16: 2,816 FY2016/17: 116 For the six months ended 30 September 2017: 61	-	-
12	Customer Tysan (Note 1)	ELS and pile cap construction works	April 2017	May 2018	6,543	For the six months ended 30 September 2017: 158	2,128	4,257
13	Customer Tysan (Note 1)	ELS and pile cap construction works	January 2018	March 2018	2,157	-	2,157	-
Subtotal for Customer Tysan					998,542	FY2015/16: 36,278 FY2016/17: 275,142 For the six months ended 30 September 2017: 287,438	180,544 Percentage of total revenue: 67.6%	219,140
14	Hien Lee Engineering Company Limited (Note 1)	ELS and pile cap construction works	July 2017	April 2018	63,182	For the six months ended 30 September 2017: 31,672	26,258	5,252
15	Hien Lee Engineering Company Limited (Note 1)	ELS and pile cap construction works	July 2017	December 2017	10,847	For the six months ended 30 September 2017: 2,836	8,011	-

SUMMARY

Project	Customer	Types of work	Actual/ expected commencement date (Note 2)	Actual/ expected completion date (Note 3)	Total contract sum (Note 4) HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue expected to be recognised for the remaining six months for FY2017/18 HK\$'000	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
16	Customer Sunnic & Sunley (Note 1)	ELS and pile cap construction works	July 2017	December 2017	35,175	For the six months ended 30 September 2017: 6,800	28,375	-
17	Customer Sunnic & Sunley (Note 1)	ELS and pile cap construction works	August 2017	January 2018	19,975	For the six months ended 30 September 2017: 19,010	965	-
18	Customer G (Note 1)	ELS and pile cap construction works	August 2017	January 2018	9,009	For the six months ended 30 September 2017: 5,507	3,502	-
19	Customer G (Note 1)	ELS and pile cap construction works	August 2017	January 2018	10,553	For the six months ended 30 September 2017: 5,026	5,527	-
20	A construction contractor in Hong Kong	ELS and pile cap construction works	June 2017	December 2017	2,487	For the six months ended 30 September 2017: 1,258	1,229	-
21	A construction contractor in Hong Kong	ELS and pile cap construction works	September 2017	January 2018	13,200	For the six months ended 30 September 2017: 4,544	8,656	-
22	Customer Hip Hing & Vibro (Note 1)	Ancillary services	July 2016	December 2017	1,501	FY2016/17: 119 For the six months ended 30 September 2017: 930	452	-
23	Customer Hip Hing & Vibro (Note 1)	Ancillary services	July 2016	December 2017	2,744	FY2016/17: 1,682 For the six months ended 30 September 2017: 591	471	-
24	Customer Hip Hing & Vibro (Note 1)	Ancillary services	May 2017	December 2017	4,724	For the six months ended 30 September 2017: 1,573	3,151	-
25	A construction contractor with the shares of its holding company listed on the Main Board of the Stock Exchange	ELS and pile cap construction works	April 2018	August 2018	45,937	-	-	45,937

SUMMARY

Project	Customer	Types of work	Actual/ expected commencement date <i>(Note 2)</i>	Actual/ expected completion date <i>(Note 3)</i>	Total contract sum <i>(Note 4)</i> <i>HK\$'000</i>	Amount of revenue recognised during the Track Record Period <i>HK\$'000</i>	Amount of revenue expected to be recognised for the remaining six months for FY2017/18 <i>HK\$'000</i>	Amount of revenue expected to be recognised for FY2018/19 <i>HK\$'000</i>
		Subtotal for customers other than Customer Tysan			219,334	FY2016/17: 1,801 For the six months ended 30 September 2017: 79,747	86,597 Percentage of total revenue: 32.4%	51,189
		Total for all customers			1,217,876	FY2015/16: 36,278 FY2016/17: 276,943 For the six months ended 30 September 2017: 367,185	267,141	270,329

Notes:

1. This is one of our five largest customers during the Track Record Period.
2. Expected commencement dates are based on our management's best estimates according to the expected commencement date specified in the relevant contract (if any) and any dates which are mutually agreed by us and our customers.
3. Expected completion dates are based on our management's best estimation. In making the estimation, our management considers the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule up to the Latest Practicable Date.
4. The total contract sum in respect of each contract represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation orders and other updated information provided by the relevant customer.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2017, and there has been no event since 30 September 2017 which would materially affect the information shown in our consolidated financial statements included in the accountants' report set forth in Appendix I to this prospectus.

DEFINITIONS AND GLOSSARY

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Application Form(s)”	WHITE application form(s) and YELLOW 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, adopted on 18 January 2018 and with effect from the Listing Date and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Building Authority”	has the meaning ascribed thereto under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“business day”	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 899,650,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company
“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

DEFINITIONS AND GLOSSARY

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated and supplemented from time to time
“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”	Dragon Rise Group Holdings Limited (龍昇集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 22 February 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, means Mr. Yip and Fame Circle
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

DEFINITIONS AND GLOSSARY

- “Customer Hip Hing & Vibro” collectively, Hip Hing Construction Company Limited, Vibro Construction Company Limited and Vibro (H.K.) Limited, all of which are subsidiaries of NWS Holdings Limited (stock code: 659), the shares of which are listed on the Main Board of the Stock Exchange, and which together were one of our Group’s five largest customers during the Track Record Period
- “Customer New Concepts” collectively, New Concepts Foundation Limited and New Concepts Trading Company Limited, all of which are subsidiaries of New Concepts Holdings Limited (stock code: 2221), the shares of which are listed on the Main Board of the Stock Exchange, and which together were one of our Group’s five largest customers during the Track Record Period
- “Customer Sunnic & Sunley” collectively, Sunnic Engineering Limited and Sunley Engineering & Construction Company Limited, all of which are subsidiaries of CNQC International Holdings Limited (stock code: 1240), the shares of which are listed on the Main Board of the Stock Exchange, and which together were one of our Group’s five largest customers during the Track Record Period
- “Customer Tysan” collectively, Tysan Foundation Limited and Tysan Foundation Geotechnical Limited, both of which are subsidiaries of Hong Kong International Construction Investment Management Group Co., Limited (previously known as Tysan Holdings Limited) (stock code: 687), the shares of which are listed on the Main Board of the Stock Exchange, and which together were our Group’s largest customer during the Track Record Period
- “Deed of Indemnity” the deed of indemnity dated 18 January 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and for the benefit of its subsidiaries) regarding certain indemnities, particulars of which are set out in the paragraphs headed “E. Other information – 1. Estate duty, tax and other indemnities” in Appendix V to this prospectus

DEFINITIONS AND GLOSSARY

“Deed of Non-Competition”	the deed of non-competition dated 18 January 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and for the benefit of its subsidiaries) regarding non-competition undertakings, particulars of which are set out in the paragraphs headed “Relationship with our Controlling Shareholders – Non-competition undertaking” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“ELS works”	excavation and lateral support works, a type of works that may be involved in foundation constructions
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Fame Circle”	Fame Circle Limited, a company incorporated in the BVI with limited liability on 22 December 2016 and wholly-owned by Mr. Yip being one of our Controlling Shareholders
“foundation works”	the construction of foundation in building and construction projects, which, in respect of our business, mainly include ELS and pile cap construction works, disposal of excavated materials from piling and other related services such as dismantle of shoring
“FY2014/15”	the financial year ended 31 March 2015
“FY2015/16”	the financial year ended 31 March 2016
“FY2016/17”	the financial year ended 31 March 2017
“FY2017/18”	the financial year ending 31 March 2018
“Government”	the government of Hong Kong
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries

DEFINITIONS AND GLOSSARY

“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“Housing Authority”	the Hong Kong Housing Authority, a statutory body in Hong Kong established under the Housing Ordinance (Chapter 283 of the Laws of Hong Kong) which is responsible for developing and implementing Hong Kong’s public housing programme
“independent third party(ies)”	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive and Substantial Shareholders (within the meaning of the Listing Rules) of our Company or any of its subsidiaries, or any of their respective associates
“Ipsos”	Ipsos Limited, an independent market research agency, which is an independent third party
“Ipsos Report”	a market research report commissioned by us and prepared by Ipsos on the overview of the industry in which our Group operates
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations

DEFINITIONS AND GLOSSARY

“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing, where ISO 9001:2015 is the current version of ISO 9001
“ISO 14001”	environmental management system requirements published by ISO, where ISO 14001:2015 is the current version of ISO 14001
“Kit Kee Engineering”	Kit Kee Engineering Limited (杰記工程有限公司), a company incorporated in Hong Kong with limited liability on 19 August 1993, which shall become an indirect wholly-owned subsidiary of the Company after completion of the Reorganisation
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	17 January 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board first commence, which is expected to be on Thursday, 8 February 2018
“Listing Rules”	the Rules Governing the Listing of Securities on Main Board of the Stock Exchange as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“main contractor”	in respect of a construction project, a contractor who is appointed by the project employer and who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other subcontractors

DEFINITIONS AND GLOSSARY

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on 18 January 2018 and with effect from the Listing Date and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“Mr. Chan”	Mr. Chan Ho Shing (陳浩成), a member of our senior management
“Mr. Cheung”	Mr. Cheung Chun Fai (張振輝), an executive Director
“Mr. Yip”	Mr. Yip Yuk Kit (葉育杰), an executive Director, the chairman of the Board, our chief executive officer, and one of our Controlling Shareholders
“Mrs. Yip”	Ms. Yip Lai Ping (葉麗萍), Mr. Yip’s wife
“NRMM(s)”	non-road mobile machinery
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee, the 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 and conditions of the Share Offer – Price Determination of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business, where OHSAS 18001:2007 is the current version of OHSAS 18001
“pile”	a structural beam that is made of steel, concrete or timber which may be used in the construction of foundation

DEFINITIONS AND GLOSSARY

“pile cap”	a concrete block that is placed on the top of a pile or a group of piles to transmit and distribute loads from the structure to the pile or group of piles, which usually forms a part of the foundation of a building or structure
“Placing”	the conditional placing of the Placing Shares, at the Offer Price with professional, institutional and other investors by the Placing Underwriter(s) on behalf of our Company as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 270,000,000 Offer Shares initially being offered for subscription at the Offer Price under the Placing, but subject to the re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing
“Placing Underwriting Agreement”	the underwriting agreement in relation to the Placing expected to be entered into on the Price Determination Date, among, inter alia, our Company and the Placing Underwriter(s)
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Price Determination Agreement”	the agreement to be entered into by the Sole Bookrunner and our Company on the Price Determinate Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, 31 January 2018 but no later than Friday, 2 February 2018, on which the Offer Price is fixed for the purpose of the Share Offer
“private sector projects”	works contracts that are not public sector projects
“Public Offer”	the conditional offering by our Company 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 AND GLOSSARY

“Public Offer Shares”	the 30,000,000 Offer Shares initially being offered for subscription at the Offer Price in the Public Offer, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter”	the underwriter of the Public Offer whose name is listed in the section headed “Underwriting – Public Offer Underwriter” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 25 January 2018 in relation to the Public Offer entered into, among, inter alia, our Company, and the Public Offer Underwriter
“public sector projects”	works contracts of which the ultimate project employer is the Government or a statutory body
“Regulated Machine(s)”	any mobile machine(s) or transportable industrial equipment(s) (other than a vehicle of a class specified in Schedule 1 to the Road Traffic Ordinance (Cap. 374)) that is/are powered by an internal combustion engine with a rated engine power output that is greater than 19kW but not greater than 560kW, which is/are regulated by the NRMM Regulation
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, which is more particularly described in the section headed “History and development” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholder, further details of which are contained in the paragraphs headed “A. Further information about our Company – 4. Written resolutions of our Shareholder passed on 18 January 2018” in Appendix V to this prospectus
“Richer Ventures”	Richer Ventures Limited, a company incorporated in the BVI with limited liability on 25 October 2016 and a direct wholly-owned subsidiary of the Company
“Safety Consultant”	Garron Holdings Limited, an independent safety consultant

DEFINITIONS AND GLOSSARY

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 18 January 2018, a summary of its principal terms is set forth in the paragraphs headed “D. Share Option Scheme” in Appendix V to this prospectus
“shoring”	a temporary support system using shores (such as piles and lagging) to support the surrounding loads and prevent the collapse of a trench or excavated underground area
“Sole Bookrunner”, “Sole Lead Manager” or “H&S Securities”	Head & Shoulders Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, acting as the bookrunner and lead manager of the Share Offer
“Sponsor”	Dakin Capital Limited, the sponsor for the Listing and a licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
“sq.ft.”	square foot
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS AND GLOSSARY

“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	The Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Technical Circular”	the Technical Circular (Works) No. 1/2015 issued by the Works Branch of the Development Bureau on 8 February 2015 in relation to emissions control of NRMM in public works
“Track Record Period”	FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017
“Underwriters”	the Public Offer Underwriter and the Placing Underwriter(s)
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“variation order(s)”	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site
“White Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“Yellow Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposit directly into CCASS
“%”	per cent

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to be correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions be proved to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business strategies and plan of operation;
- the success of our existing and future operation;
- our capital expenditure plans;
- our dividend policy;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- future development in the industries in which we operate;
- the global and domestic economy;

FORWARD-LOOKING STATEMENTS

- laws, regulations and rules for the foundation industry and other industries in Hong Kong and other relevant jurisdictions;
- factors that are described in the section headed “Risk factors” in this prospectus; and
- other factors beyond our control.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Most of our revenue during the Track Record Period was derived from projects awarded by a limited number of customers (in particular, Customer Tysan) and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial performance

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our five largest customers for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 accounted for 100%, 99.8%, 99.6% and 98.0% of our revenue respectively. For the same periods, our largest customer, Customer Tysan, accounted for approximately 89.4%, 94.9%, 80.0% and 68.3% of our revenue respectively.

We did not enter into any long-term agreement with any of our major customers during the Track Record Period and up to the Latest Practicable Date. There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

Also, any liquidity problem or deterioration in the businesses of our major customers could lead to delay and/or default in their payments to us and/or reduction in projects awarded to us in the future. If our major customers fail to make timely payments to us, our cash flows and financial position may be adversely affected.

Our revenue is mainly derived from projects which are non-recurrent in nature and there is no guarantee that our customers will provide us with new businesses

Our revenue is typically derived from projects which are non-recurrent in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through direct invitation for quotation or tender by customers. There is no assurance that (i) we would be invited to provide quotations or participate in the tendering process for new projects; and (ii) our submitted quotations and tenders would be selected by customers. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

RISK FACTORS

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we recorded a tender success rate of approximately 8.0%, 21.5%, 10.0% and 7.5%, and a quotation success rate of approximately 9.4%, 10.5%, 9.3% and 12.8%, respectively. Our Directors consider that our success rate on project tendering depends on a range of factors, which primarily include our tender price and our track records. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past. In the event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business, financial position and prospects of our Group could be materially and adversely affected.

We determine our quotation or tender price based on the estimated time and costs involved in a project and any material inaccurate estimation or cost overrun may adversely affect our financial results

When determining our quotation or tender price, our management would estimate the time and costs involved in a project. There is no assurance that the actual amount of time and costs during the performance of our projects would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of construction materials agreed to be borne by us, and other unforeseen problems and circumstances.

Any material inaccurate estimation in the 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 Group's financial condition, profitability and liquidity.

Foundation works expose us to the risk of unexpected geological or sub-soil conditions

Prior to commencement of our foundation works, our customers would normally provide us with ground investigation reports. However, information contained in these reports may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation works that can be carried out at the site and/or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set out in these investigation reports, and the investigation may not be able to reveal the existence of rocks or to identify any antiquities, monuments or structures beneath the site. All these may eventually present potential issues and uncertainties in the carrying out of our foundation works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and time required to deal with any unexpected existence of rocks, antiquities or monuments, which may also lead to additional costs to be incurred. Pricing of our services is determined on a case-by-case basis having regard to various factors, which include our assessment of the complexity of the project having regard to all relevant information available to us, including the information contained in the ground investigation reports provided by our customers. In case of any significant unexpected difficult

RISK FACTORS

geological or sub-soil conditions, our Group may incur additional costs in dealing with such unforeseen conditions, which may lead to cost overruns and may thus materially and adversely affect our business operation and financial position.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operation and profitability

Our Group may from time to time subcontract some of our works depending on the availability of our resources and the costs of performing the works using our own resources. For further details, please refer to the section headed “Business – Suppliers – Reasons for subcontracting arrangement” in this prospectus. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on, among others, their quality of services, skills and technique, credit-worthiness, pricing as well as their track records.

For each of the FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our subcontracting charges amounted to approximately HK\$69.5 million, HK\$83.1 million, HK\$88.0 million and HK\$107.7 million, respectively, representing approximately 15.7%, 15.0%, 16.9% and 26.8% of our total direct costs, respectively.

There is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own labours. We may be affected by the non-performance, inappropriate or poor quality of works rendered by our subcontractors. Such events could impact upon our profitability, financial performance and reputation.

In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

We recorded decrease in revenue for FY2016/17

Our revenue decreased from approximately HK\$617.8 million for FY2015/16 to approximately HK\$593.6 million for FY2016/17, representing a decrease of 3.9%. There is no assurance that our Group will not experience any decrease in revenue in the future. Any continuous or significant decrease in our revenue would have a material adverse impact on our business, financial condition, results of operation, reputation and prospects.

Our past increase in gross profit and gross profit margin may not be indicative of our future gross profit and gross profit margin

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our gross profit amounted to approximately HK\$24.2 million, HK\$63.9 million, HK\$71.5 million and HK\$56.0 million, respectively, while our gross profit margin was 5.2%, 10.3%, 12.0% and 12.2%, respectively.

RISK FACTORS

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication and may not necessarily reflect our financial performance in the future. Our future performance will depend on, among other things, our ability to secure new contracts and to control our costs and will be subject to risk factors set out in this section.

Our gross profit margin may fluctuate from project to project due to factors such as whether we execute the works by our own labour resources or subcontract the works to subcontractors, the accuracy of our estimation of our costs, the complexity and size of the project, subcontracting charges (if applicable), prices of materials and other necessary goods and services, as well as our pricing strategy. There is no assurance that our gross profit margin in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our gross profit margin.

There is no assurance that we will be able to renew our registration under the Subcontractor Registration Scheme of the Construction Industry Council

Kit Kee Engineering, our principal operating subsidiary, has registered under the Subcontractor Registration Scheme of the Construction Industry Council. Main contractors of certain types of public sector projects such as Housing Authority projects, are required to engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council.

Renewal of registration under the Subcontractor Registration Scheme is required every two years and is generally subject to certain technical and relevant industry experience requirements. There is no assurance that we will be able to renew such registration every time in the future. In the event of non-renewal of such registration, our reputation, our ability to obtain future businesses, and our business and financial position and prospects could be materially and adversely affected.

Our Group is dependent on key personnel and there is no assurance that our Group can retain them

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Yip and Mr. Cheung, each being our executive Director. Details of their expertise and experience are set out in the section headed “Directors and senior management” in this prospectus.

Our key personnel as well as their management experience in the foundation industry in Hong Kong are crucial to our operation and financial performance. Although we have entered into a service agreement with each of our executive Directors, there could be an adverse impact on our operation should any of our executive Directors terminate his service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future. In such event, the business and financial position and prospects of our Group could be materially and adversely affected.

RISK FACTORS

We may be liable to pay liquidated damages if we fail to meet the completion schedule requirements specified in the works contracts undertaken by us

Contracts undertaken by us typically include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts. In relation to the liquidated damages clause, a clause may be included in the contracts allowing for the extension of time without any liquidated damages penalty under certain circumstances such as poor weather conditions or the issue of variation orders. Liquidated damages are typically calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on a daily basis. Any failure to meet the time schedule requirements specified in the contracts without the extension of time may result in our Group being liable to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse impact on our business, financial condition, results of operations, reputation and prospects.

Any failure, damage or loss of our machinery may adversely affect our operations and financial performance

Our foundation projects generally depend on the availability of our machinery. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed or damaged machinery cannot be repaired or if any lost machinery cannot be replaced in a timely manner, our operations and financial performance could be adversely affected.

Our five largest suppliers accounted for a substantial portion of our purchases

During the Track Record Period, suppliers of goods and services which were specific to our business and were required on a regular basis to enable us to continue to carry on our business included (i) suppliers of construction materials; (ii) our subcontractors; and (iii) suppliers of other miscellaneous services.

Our five largest suppliers accounted for approximately 71.8%, 78.3%, 72.9% and 66.6% of our total purchases for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively. In particular, approximately 34.3%, 55.5%, 36.3% and 41.3% of our total purchases were attributable to our largest supplier for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate the business relationship with us entirely, there can be no assurance that the provision of goods and/or services from new suppliers in replacement, if any, would be on commercially comparable terms. As such, our operation and financial performances may be adversely affected.

RISK FACTORS

We face liquidity risk in relation to working capital requirements associated with undertaking contract works and possible failure by customers to make timely or full payments

When undertaking contract works, our Group may incur net cash outflows at the early stage of carrying out our works when we are required to pay the initial expenditures (such as purchase of materials) and/or our subcontractors prior to payment received from our customers. Our customers will pay progress payments after our works commence and after such works and payments have been confirmed and certified by our customers. Therefore, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in possible cash flow mismatch. If we choose to pay our suppliers only after receiving payments from our customers, we will risk our reputation in being able to make payments on a timely manner, which could harm our ability to engage capable and quality suppliers for our business in the future. On the other hand, after we apply for payment from our customers, there is generally an examination process on works completed and we cannot guarantee that our customers will pay in a timely manner or pay the full amount invoiced by us.

If we fail to properly manage our liquidity position in view of such working capital requirements and the possible cash flow mismatch associated with undertaking contract works, our cash flows and financial position could be materially and adversely affected.

We are subject to credit risk in respect of our trade and other receivables

There can be no assurance that our customers will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain amount, normally equivalent to 10% of the value of works done and subject to a maximum of 5% of the total contract sum from each payment to us as retention money. Retention money withheld is generally released to us after the receipt of completion certificate and/or the expiry of the defects liability period. However, there is no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, we recorded trade receivables of approximately HK\$18.9 million, HK\$18.0 million, HK\$37.4 million and HK\$52.4 million, respectively, of which approximately HK\$1.2 million, nil, nil and HK\$15.0 million were past due but not impaired. As at 31 March 2015, 2016 and 2017 and 30 September 2017, we recorded retention receivables of approximately HK\$25.6 million, HK\$30.1 million, HK\$38.2 million and HK\$56.2 million, respectively. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our trade receivables turnover days were approximately 12.3 days, 10.9 days, 17.0 days and 17.9 days, respectively.

We had concentration of credit risk as approximately 84.8%, 86.7%, 78.1% and 52.2% of our total trade and other receivables as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively were due from Customer Tysan, our largest customer during the Track Record

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Period. The aggregate amounts of trade and retention receivables amounted to approximately HK\$38.0 million, HK\$42.3 million, HK\$62.0 million and HK\$58.8 million from Customer Tysan as at 31 March 2015, 2016, 2017 and 30 September 2017, respectively.

Any difficulty in collecting a substantial portion of our trade and other receivables could materially and adversely affect our cash flows and financial position.

We may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business. In particular, there may be potential employees' compensation claims and common law personal injury claims

We may be involved in claims and litigations in respect of various matters from our customers, subcontractors, workers and other parties concerned with our works from time to time. Such claims may include in particular employees' compensation claims and common law personal injury claims in relation to personal injuries suffered by workers as a result of accidents arising out of and in the course of employment of the injured workers. During the Track Record Period and up to the Latest Practicable Date, we encountered several incidents of claims arising out of our operations and there were also cases on workplace injury of which no claims have been commenced yet. During the Track Record Period, Kit Kee Engineering was convicted under several incidents, including under the Factories and Industrial Undertakings Ordinance (Cap. 59), in relation to occupational health and safety issues. Please refer to the section headed "Business – Litigation and claims" and "Business – Non-compliances" in this prospectus for further information.

There is no assurance that we will not be involved in any claims or legal proceedings, nor can we assure you that any such claims or legal proceedings would not have a material adverse impact on our business. Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation if they were published by the press. If the aforesaid claims were successfully made against our Group and are not covered by insurance policies, we may need to pay damages and legal costs, which in turn could adversely affect our results of operations and financial position.

Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. Any claims or legal proceedings to which we may become a party in the future may have a material and adverse impact on our business.

Our insurance policies may not be sufficient to cover all liabilities and our insurance premium may increase from time to time

We have secured insurance coverage against general office risks including loss of or damage to office contents occurring on our office premises. We have also maintained insurance on our motor vehicles and machinery for which our management considers valuable and

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desirable to maintain insurance. However, certain types of risks, such as risks in relation to customer concentration, our ability to obtain new contracts, estimation and management of costs, our ability to maintain and renew our licences and registrations, our ability to retain and attract personnel, liquidity and working capital needs, supplier concentration, subcontractors' availability and performance, and credit risk in relation to the collectability of our trade and other receivables, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position.

Even if we have taken out insurance policies, our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our business operations. We cannot control if there is any reduction or limitation of insurance coverage by insurers upon the expiry of our current policies.

We also cannot guarantee that our insurance premiums will not rise or we will not be required by law or our customers to obtain additional insurance coverage. Any significant increase in insurance premiums or reduction in coverage in the future may materially and adversely affect our business operations and financial results.

Our profitability may be affected by the potential increase in depreciation expenses and staff costs upon our planned acquisition of additional machinery and our planned recruitment of additional staff

It is one of our business strategies to acquire additional machinery by utilising a portion of the net proceeds from the Share Offer so as to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers. Please refer to the section headed "Future plans and use of proceeds" for details of the types of machinery to be purchased and the intended timing of deployment of the proceeds in this regard. Please also refer to the section headed "Business – Machinery" in this prospectus for details of our existing machinery.

As a result of the purchase of additional machinery, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results. Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method. Therefore, based on the intended timing of deployment of the proceeds for purchasing machinery and taking into account our existing machinery, it is estimated that depreciation expenses on plant and machinery of approximately HK\$10.9 million will be incurred for FY2017/18.

In addition to the acquisition of additional machinery, our business strategies also include the recruitment of additional staff by utilising a portion of the net proceeds from the Share Offer so as to cope with our business development. Please refer to the section headed "Future plans

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and use of proceeds” in this prospectus for details of the additional staff that we plan to employ by functions. Based on the intended timing of deployment of the proceeds for recruitment of additional staff, it is estimated that additional staff costs of approximately HK\$1.4 million will be incurred for FY2017/18.

Our planned investments in machinery and labour resources will increase our fixed costs (including depreciation expenses and staff costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned investments, our business and financial position and prospects may be adversely affected.

Possible difficulty in recruiting sufficient labour may hinder our future business strategies

It is one of our business strategies to expand our labour resources by recruiting additional staff in order to cope with our business development and our planned purchases of additional machinery. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for details of the additional staff that we plan to employ by functions.

However, the foundation industry in Hong Kong has been facing the problem of labour shortage and ageing workforce, as further discussed in the paragraph headed “Risk relating to the industry in which we operate – The foundation industry in Hong Kong has been facing the problem of labour shortage and ageing workforce” in this section. As a result, there may be potential difficulties for us to recruit sufficient labour for the implementation of our future business strategies. Any material difficulties in recruiting sufficient labour for the implementation of our future business strategies may adversely affect our Group’s ability to successfully grow our business, which may in turn adversely affect our business and financial position and prospects.

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

We intend to further enhance our machinery, strengthen our manpower and increase our marketing effort in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

Events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly delay, or even prevent us from completing, our projects

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist

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attacks. Any such events could cause us to reduce or halt our operation, adversely affect our business operation, increase our costs and/or prevent us from completing our projects, any one of which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a competitive industry

According to the Ipsos Report, as at the Latest Practicable Date, there were 329 registered subcontractors in Construction Industry Council's list of subcontractors under Foundation and Piling Category. Some of our competitors may have certain advantages, including but not limited to having long operating history, better financing capabilities and well developed technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery and equipment, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Any significant increase in competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Our performance depends on market conditions and trends in the foundation industry and if there is any slowdown (in terms of transaction volume and price) of the property market in Hong Kong, the availability of foundation projects in Hong Kong may decrease significantly

We are a subcontractor of foundation works services in Hong Kong during the Track Record Period and up to the Latest Practicable Date. The future development of the foundation industry and the availability of foundation projects in Hong Kong depends largely on the continued development of the property market in Hong Kong. The nature, extent and timing of available foundation projects will be determined by an interplay of a variety of factors, including the Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of foundation projects in Hong Kong.

If there is any slowdown (in terms of transaction volume and price) of the property market in Hong Kong, there is no assurance that the availability of foundation projects in Hong Kong would not decrease significantly and our Group's business and financial position and prospect may be adversely and materially affected.

The foundation industry in Hong Kong has been facing the problem of labour shortage and ageing workforce

According to the Ipsos Report, the Hong Kong foundation industry has been facing the problem of labour shortage and aging workforce. This led to the average foundation worker wages per day having increased from approximately HK\$842.3 in 2011 to approximately

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HK\$1,379.4 in 2016, representing a CAGR of approximately 10.4%. For further information regarding the problem of labour shortage and aging workforce faced by the foundation industry in Hong Kong, please refer to the section headed “Industry overview – Potential challenges” in this prospectus.

The supply and cost of labour in Hong Kong are affected by the availability of labour in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no guarantee that the supply of labour and labour costs will be stable and that our Group will be able to identify and recruit staff members in replacement in a timely manner, failing which there could be an adverse effect on our Group’s operation.

In addition, the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) requires that an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour). Although none of our employees were paid at the current statutory minimum wage of HK\$34.5 per hour or lower as at the Latest Practicable Date as confirmed by our Directors, there is no assurance that the statutory minimum wage will not increase in the future.

In the event that we fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future jobs and/or there is a significant increase in the costs of labour, we may not be able to complete our jobs on schedule and/or within budget and our operations and profitability may be adversely affected.

Rising construction costs, including the costs of construction workers and construction materials, may increase our costs of operation

According to the Ipsos Report, the foundation industry in Hong Kong has been facing the problem of increasing operating costs. The increase in operating costs is mainly attributed to the wage trend of construction workers (as discussed above) as well as the prices of certain construction materials, such as concrete, which is typically required in carrying out foundation works. For further details of the past price trend of such construction materials, please refer to the section headed “Industry overview – Price trend of major cost components” in this prospectus. Any substantial increase in our costs of operation may materially and adversely affect our business and financial positions and prospects.

Construction works are usually divided into various different trades. Each trade requires specialized labour of its own and cannot be easily replaced by labour of another trade. The fees charged by our subcontractors depend on a number of factors, which generally include their own costs of operation. Industrial action of any trade may disrupt our operation and/or the operation of our customers and/or subcontractors and thus the work progress of projects undertaken by us. There is no assurance that trade unions will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may incur additional direct staff costs, subcontracting costs and/or experience delay in the completion of our projects where our customers may in turn claim against us for not being

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able to meet the time schedule requirements of the contracts. Therefore, if labour costs and costs of construction materials in Hong Kong keep increasing, our staff costs and subcontracting costs may increase in the future, which could materially and adversely affect our business operation and financial condition.

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

Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. There is no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites and/or to implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents may lead to the non-renewal of our registration under the Subcontractor Registration Scheme of the Construction Industry Council.

In addition, any personal injuries and/or fatal accidents to the employees of our Group and our subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect our financial position to the extent not covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, we need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on our business operations.

Any future changes in existing laws, regulations and Government policies, including but not limited to the introduction of more stringent laws and regulations on licensing, environment protection, labour safety, etc. may cause us to incur substantial additional expenditure

Many aspects of our business operation are governed by various laws and regulations and Government policies. There is no assurance that we will be able to respond to any such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. For example, under the Technical Circular, exempted Regulated Machines under the NRMM Regulation in Hong Kong will be phased out progressively from 1 June 2015 and no exempted Regulated Machines, including excavators and crawler cranes will be allowed to be engaged in certain contracts of public works with an estimated contract value exceeding HK\$200 million and tenders invited from 1 June 2019 onwards. For details of the NRMM Regulation and the Technical Circular, please refer to the section headed “Regulatory Overview” in this prospectus. As at the Latest Practicable Date, our Group had 65 Regulated Machines. The Technical Circular is to be adopted by relevant works departments of the Government and is related directly to the contractual terms in the contracts between the Government and the main

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contractors in the construction industry. Nonetheless, we cannot guarantee that the Government will not extend the scope or interpretation of the Technical Circular or issue other similar administrative to other industry players which will cause potential impact to our business operations. If there are any changes to and/or imposition of the requirements for qualification in the foundation industry in relation to environment protection and labour safety, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

RISKS RELATING TO HONG KONG

The general social and economic conditions in Hong Kong may affect our business and financial positions

Our performance and financial position are heavily dependent on the state of economy in Hong Kong as our operation are based in and we derive our revenue solely from Hong Kong during the Track Record Period. Furthermore, we have no current plans to expand into foreign markets. In the event that there is a downturn in the economy of Hong Kong, our results of operation and financial position may be severely affected.

The state of social and political environment in Hong Kong may affect our business and financial position

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since our operation are solely located in Hong Kong, any change of such political arrangements or major change to the social landscape may post immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operation and financial position.

RISKS RELATING TO THE SHARE OFFER

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Share Offer, subscribers or purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately HK\$0.21 per Share (assuming an Offer Price of HK\$0.40 per Offer Share) or HK\$0.19 per Share (assuming an Offer Price of HK\$0.30 per Share).

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price or at all.

Investors may experience dilution if we issue additional Shares in the future

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, we may need to raise additional funds in the future to finance our operation or business expansion or new development. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

The Sole Bookrunner is entitled to terminate the Underwriting Agreements

Prospective investors should note that the Sole Bookrunner (for itself and on behalf of other Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section

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headed “Underwriting – Grounds for termination of the Public Offer Underwriting Agreement” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraphs headed “Cayman Islands Company Law – 3(f) Protection of minorities and shareholders’ suits” in Appendix IV to this prospectus.

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

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

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may adversely affect our Group’s results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

There can be no assurance that we will declare or distribute any dividend in the future

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other

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factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by Government departments or independent third parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong.

Our Group’s future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” in this prospectus.

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

Prior to the publication of this prospectus, there may be press or other media which contains information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Bookrunner, the Lead Manager and the Underwriters, or the directors, officers, employees, advisers, agents or

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representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER AND UNDERWRITING

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

The Listing is sponsored by Dakin Capital Limited. The Public Offer is fully underwritten by the Public Offer Underwriter. The Share Offer is subject to our Company and the Sole Bookrunner (for itself on behalf of the Underwriters) agreeing on the Offer Price. The Share Offer is managed by the Sole Bookrunner.

If, for any reason, the Offer Price is not agreed among our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF 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, and 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 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.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the additional Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

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.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All Offer Shares sold pursuant to applications made in the Public Offer will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

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

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

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 and dealing in the Offer Shares. None of our Company, the Sole Bookrunner, the Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of the Offer Shares.

STRUCTURE OF THE SHARE OFFER

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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 advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 8 February 2018. Shares will be traded in board lots of 10,000 Shares each.

The stock code of the Shares is 6829.

CURRENCY TRANSLATIONS

Unless the context requires otherwise, translation of US\$ into HK\$ is made in this prospectus, for illustration purpose only, at the rates of US\$1.0 = HK\$7.8. No representation is made that any amount in US\$ or HK\$ could have been or could be converted at the above rate or at any other rate or at all.

LANGUAGE

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

ROUNDING

Certain monetary amounts 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	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. YIP Yuk Kit (葉育杰)	Flat D, 27/F Imperial Heights Belair Gardens Hong Kong	Chinese
Mr. CHEUNG Chun Fai (張振輝)	G/F, No. 331 Ha Hang Tsuen, Ting Kok Road Tai Po, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. LO Chi Wang (羅智弘)	Flat D, 18/F, Block 3 Bay View Garden Ngau Chi Wan, Kowloon Hong Kong	Chinese
Mr. CHAN Ka Yu (陳家宇)	Flat B, 25th Floor Block 13 Laguna City 6 Laguna Street Cha Kwo Ling Kowloon Hong Kong	Chinese
Mr. LEE Kwok Lun (李國麟)	Flat F, 13/F, Block 6 Grand View Garden Hammer Hill Road Diamond Hill Hong Kong	British

Please refer to the section headed “Directors and senior management” in this prospectus for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor	Dakin Capital Limited <i>A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity</i> Room 2701, 27th Floor, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Sole Bookrunner and Sole Lead Manager	Head & Shoulders Securities Limited <i>A licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities</i> Room 2511, 25/F, Cosco Tower 183 Queen's Road Central Hong Kong
Public Offer Underwriter	Head & Shoulders Securities Limited <i>A licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities</i> Room 2511, 25/F, Cosco Tower 183 Queen's Road Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law</i> Benny Pang & Co <i>Solicitors, Hong Kong</i> 27th Floor, 100QRC 100 Queen's Road Central Central Hong Kong <i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	<i>As to Hong Kong law</i> Sidley Austin <i>Solicitors, Hong Kong</i> 39/F Two Int'l Finance Centre Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditors and reporting accountants	Grant Thornton Hong Kong Limited <i>Certified Public Accountants</i> Level 12 28 Hennessy Road Wanchai Hong Kong
Compliance adviser	Dakin Capital Limited <i>A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity</i> Room 2701, 27th Floor, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Industry consultant	Ipsos Limited 22nd Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Internal control adviser	CT Partners Consultants Limited Unit 1601A, 16/F, Tower 6 China Hong Kong City 33 Canton Road Tsim Sha Tsui Hong Kong
Property valuer	Greater China Appraisal Limited Room 2703, 27th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Safety consultant	Garron Holdings Limited Unit 01, Level 12 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Office K, 12/F Kings Wing Plaza 2 No. 1 On Kwan Street Shatin Hong Kong
Company's website address	www.kitkee.com.hk <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	LEUNG Hoi Ki <i>Certified Public Accountant</i> Room 11, 7/F Fook Lam House Kwong Lam Court Shatin, New Territories Hong Kong
Authorised representatives	CHEUNG Chun Fai G/F, No. 331 Ha Hang Tsuen, Ting Kok Road Tai Po, New Territories Hong Kong LEUNG Hoi Ki <i>Certified Public Accountant</i> Room 11, 7/F Fook Lam House Kwong Lam Court Shatin, New Territories Hong Kong
Audit committee	LEE Kwok Lun (<i>Chairman</i>) LO Chi Wang CHAN Ka Yu
Remuneration committee	CHAN Ka Yu (<i>Chairman</i>) YIP Yuk Kit LO Chi Wang

CORPORATE INFORMATION

Nomination committee

YIP Yuk Kit (*Chairman*)
LEE Kwok Lun
CHAN Ka Yu

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

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

**Hong Kong branch share registrar
and transfer office**

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

Principal banker

**The Hongkong and Shanghai Banking
Corporation Limited**
1 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sponsor, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters, our or their respective directors and officers or any other parties involved in the Share Offer. No representation is given as to the accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on, the foundation industry in Hong Kong. A total fee of HK\$418,000 was charged by Ipsos for the preparation of the Ipsos Report. The Ipsos Report has been prepared by Ipsos independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report.

Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the foundation industry in Hong Kong. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including foundation works service providers, architectures, quantity surveyors and industry experts and associations in Hong Kong, etc.

Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including Government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

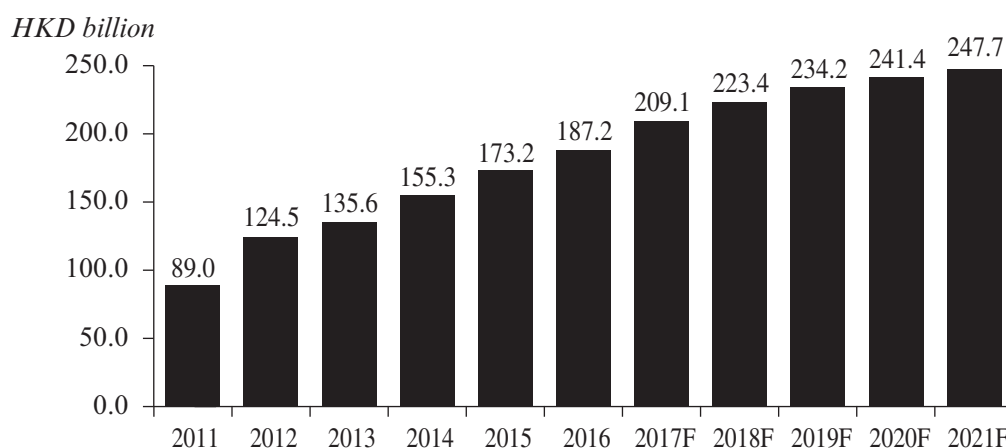
INDUSTRY OVERVIEW

Ipsos developed its estimates or forecasts on the following principal bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction industry in Hong Kong during the forecast period.

CONSTRUCTION INDUSTRY OVERVIEW

The construction industry recorded a stable growth from 2011 to 2016. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong increased from approximately HK\$89.0 billion in 2011 to approximately HK\$187.2 billion in 2016 at a CAGR of approximately 16.0%.

Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong, 2011 to 2021



Source: The Ipsos Report

Note: The letter “F” denotes forecasted figures.

Construction projects in Hong Kong can be generally categorised into public sector projects and private sector projects. Public sector projects refer to projects of which the main contractors are employed by the Government or other statutory bodies, while private sector projects refer to projects that are not public sector projects.

The construction industry in Hong Kong accounted for about 3.4% to 4.7% of the GDP of Hong Kong from 2011 to 2015. The construction industry experienced a significant growth in the past few years mainly due to the rising demand for commercial and residential buildings as well as for infrastructure. The public sector was supported by some large-scale construction projects, resulting in higher gross output value than the private sector in the past five years. Such large-scale construction projects were mainly infrastructure projects, including the Public Housing Development Program and the Ten Major Infrastructure Projects announced by the Government, with the latter including the South Island Line, Sha Tin to Central Link, Lok Ma

INDUSTRY OVERVIEW

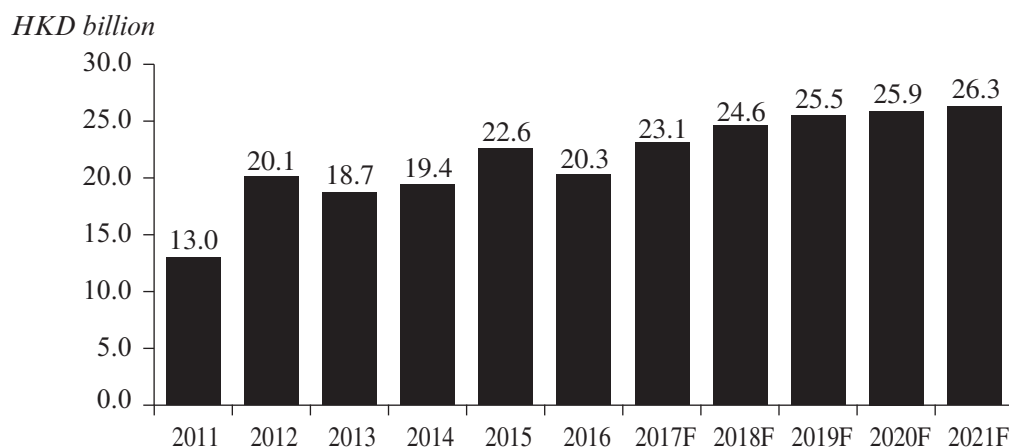
Chau Loop, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, West Kowloon Cultural District, Kai Tak Development, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas, and Hong Kong-Shenzhen Western Express Line. In private sector, the growth was attributable to the Government's initiative to increase in private residential units supply and the increase in land supply for commercial and economic activities.

FOUNDATION INDUSTRY OVERVIEW

In the Hong Kong construction industry, main contractors are primarily in charge of the entire construction project and typically outsource construction works to subcontractors in accordance with their specialties and knowledge.

Foundation industry is one of the specific areas of the Hong Kong construction industry, while the development of foundation industry and construction industry are correlated. Foundation works are most commonly demanded in construction projects. In 2016, the total revenue of foundation industry accounted for approximately 10.8% of the total gross output value performed by main contractors and subcontractors at construction sites in Hong Kong. From 2011 to 2016, the total revenue of the foundation industry grew from approximately HK\$13.0 billion to approximately HK\$20.3 billion, at a CAGR of approximately 9.3%.

Revenue of the foundation contracting industry in Hong Kong, 2011 to 2021F



Source: *The Ipsos Report*

Note: The letter "F" denotes forecasted figures.

INDUSTRY OVERVIEW

The increasing revenue of the foundation industry from 2011 to 2016 was mainly driven by the public sector, in particular the Ten Major Infrastructure Projects. The revenue of the foundation industry is forecasted to increase from approximately HK\$23.1 billion to approximately HK\$26.3 billion at a CAGR of about 3.3% from 2017 to 2021 due to the expected increase in demand for residential and commercial buildings as well as public infrastructure projects. From 2011 to 2016, the number of public housing units increased from 13,672 units to 14,264 units, and the number of private residential housing units completed grew from 9,449 units to 14,595 units, at a CAGR of 0.9% and 9.1%, respectively. According to the 2017 Policy Address, by 2021, the private sector is expected to produce about 94,000 residential units, while the Housing Authority and the Hong Kong Housing Society (HKHS) will produce about 94,500 public housing units.

According to the Ipsos Report, foundation works mainly comprise piling works, ELS works, and pile caps construction works. In addition, some foundation contractors may also provide ancillary services such as loading test on ground bearing capacity, disposal of excavated materials arising from piling, dismantle of shoring, etc.. Piling work is critical in foundation construction. Depending on the foundation design which is governed by the size of the proposed superstructure development as well as the ground condition, different piling methods will be applied such as bored piling, mini-piling, H-piling, socket H-piling, soldier piling, precast concrete piling and pipe piling. Pile caps, on the other hand, are concrete slabs built on top of a pile or a group of piles to transfer the load from the superstructure to the piles. Pile caps are commonly used in Hong Kong due to the uneven terrains. These are necessary to hold the piles together so that they function as a pile group and provide lateral support to piles built on an uneven terrain.

INDUSTRY DRIVERS

Since the development of foundation industry is correlated to the construction industry, the foundation industry is expected to benefit from the following industry drivers:

1. Government's initiative to increase supply of residential properties

The Government's initiative to increase and expedite housing supply in Hong Kong by increasing supply of public housing units and lands for private residential units is expected to be one of the key industry drivers.

The Government targets to provide approximately 94,500 units of public housing between 2016/17 and 2020/21, including around 71,800 public rental housing units and around 22,600 subsidised sale flats units. According to the 2017 Policy Address, the Government has adopted the public housing supply target of 280,000 units for the ten-year period from 2017/18 to 2026/27. For the private sector, the Government is expected to provide 28 residential sites to be comprised in 2017/18 Land Sales Program for the supply of private residential units. As per the 2017 Policy address, the private sector is expected to produce about 94,000 residential units by 2021. The Government's initiative to increase housing supply will therefore fuel the growth of the foundation industry in the future.

INDUSTRY OVERVIEW

2. Commencement and implementation of large-scale infrastructure projects

The growth of foundation industry has been benefited from large-scale infrastructure projects, especially the Ten Major Infrastructure Projects launched in 2007. Given that many of the projects are still in the progress, including the New Development Areas Project, West Kowloon Cultural District and Kai Tak Development, MTR extension projects, etc., the future growth of foundation industry will be supported.

In particular, the “Ten Major Infrastructure Projects” include the Kai Tak Development and the North East New Territories New Development Areas, which are expected to drive growth in the private sector of the foundation industry in Hong Kong in the coming years. As the New Development Areas will increase demand for residential and commercial buildings for economic activities, this will drive the demand for foundation works. For example, the New Development Areas Projects in Kwu Tung North and Fanling North are expected to increase demand for residential and commercial building and contribute to the stable growth of the foundation industry. The New Development Areas will provide about 60,000 residential units as an important contribution to the housing supply in Hong Kong.

Moreover, Tung Chung will become an important transportation hub under the Hong Kong-Zhuhai-Macau Bridge and the Tuen Mun-Chek Lop Kok Link. Tung Chung New Town Extension is expected to commence and will provide about 49,400 residential units and about 877,000 square meters of commercial floor area. These projects are also important driver to the foundation works in both private and public sectors in Hong Kong.

3. Government’s plan for new town extensions and new development areas

According to the 2017 Policy Address, new development areas and new town extension will be vital medium to long term large-scale projects in Hong Kong, including Kwu Tung North and Fanling North, Tung Chung, Hung Shui Kiu and Yuen Long South. These development plans would increase the demand for residential and commercial buildings in the new development areas. As a result, a sustained investment in private sector construction projects in these areas is envisaged due to the expected increase in demand for private and public residential buildings, commercial and other buildings in the new development areas. It may also fuel the growth in investment value in construction projects in Hong Kong and thus be a driver for the growth of the foundation industry.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

The five largest players in the Hong Kong foundation industry in 2016

According to the Ipsos Report, as at the Latest Practicable Date, there were 329 registered subcontractors in Construction Industry Council’s list of subcontractors under Foundation and Piling Category. Accounting for the companies that are not registered under the Construction Industry Council, there are approximately 500 foundation contractors in Hong Kong.

INDUSTRY OVERVIEW

The top five foundation contractors (in terms of market share in the foundation industry in Hong Kong in 2016) and their respective backgrounds are as follows:

Ranking	Contractors	Key types of foundation work performed	Approximately market share
1	A contractor based in Hong Kong, which is a subsidiary of a company listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	13.6%
2	A contractor based in the PRC and listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	13.0%
3	A contractor based in Hong Kong	ELS works, piling works, pile caps construction works and other foundation works	12.6%
4	A contractor based in Hong Kong, which is listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	6.2%
5	A contractor based in Hong Kong, which is listed on the Main Board of the Stock Exchange	ELS works, piling works, pile caps construction works and other foundation works	4.7%
			50.1%

Factors influencing competition among subcontractors

Business relationships, industry reputation and experience in foundation project management are major factors of competition among subcontractors in the foundation industry in Hong Kong.

Foundation contractors with a proven track record and positive reputation in the industry are more competitive based on their proven reliability and experience in completing foundation works. Main contractors usually prefer to work with subcontractors whom they have long standing relationships with and have proven a high-quality work to be delivered on time.

INDUSTRY OVERVIEW

Established long-term business relationships with construction materials suppliers and main contractors provide a subcontractor with more flexibility in negotiating prices, allocating resources and executing projects compared with their competitors.

In addition, a foundation contractor's experience in foundation project management will determine its capability of effectively and efficiently source and allocate resources including labour, construction materials, and specialised machineries to complete works on time and within a competitive budget. Technical expertise and experience in foundation project management are also important to meet project timeline, quality and budget. With an experienced project management team having good technical understanding of foundation works, a subcontractor is able to address different issues that may arise during project execution, and foresee potential problems during the project.

Our Group's market share

The total revenue of the foundation industry in Hong Kong for the calendar year of 2016 was approximately HK\$20.3 billion according to the Ipsos Report (while the figures for the twelve-month period from 1 April 2016 to 31 March 2017 and six-month period from 1 April 2017 to 30 September 2017 are not available). The total revenue of our Group for the FY2016/17 was approximately HK\$593.6 million. Based on these figure, it is estimated that our Group's market share in the foundation industry in Hong Kong was approximately 2.9%.

Entry barriers of the foundation industry in Hong Kong

1. Investment in machinery

It is vital for the foundation contractors to purchase specialised and advanced machinery specifically for foundation works, such as cranes, excavators, crushers, drill rigs and other equipment to increase the flexibility in meeting different requirements for different projects and be able to tender for different kinds of foundation works. Purchasing specialised machineries requires a substantial amount of initial capital per project. Therefore, new entrants of the foundation industry may face difficulties in surviving in the industry if they do not have sufficient amount of initial capital for such investment.

2. Proven track records

In general, customers award tenders based on the contractors' track record and experience to assess their abilities of undertaking projects. Customers of foundation works will evaluate contractor's ability to meet the technical, safety, time and budget requirements of a project. Thus, new entrants with little foundation work track record would undergo a lack of proven project management and work experience to support their capabilities during tender. Moreover, new entrants are required to obtain specific technical qualifications for executing certain foundation works projects in the public sector. New entrants without sufficient practical experiences may find it hard to compete for tenders and may also have difficulties in obtaining technical qualifications.

INDUSTRY OVERVIEW

3. Relationship with property developers and main contractors

Private sector foundation projects are usually awarded through an invited tender process. Customers, such as property developers or main contractors of the construction projects, may send tender invitation to those contractors with good working relationship and track record in the past. New entrants of the foundation industry may find it difficult to blend into the market and obtain tender invitations as they are yet to build up cooperative relationship and network with main contractors and property developers.

Potential challenges

Foundation contractors are undergoing the following potential challenges in Hong Kong:

1. Labour shortage

The ageing workforce and the decreasing number of youngsters joining the construction and foundation industries have led to the problem of labour shortage. According to the Construction Industry Council, as of 31 August 2016, 161,075 out of 388,628 registered workers (which accounted for 41.4%) and 72,837 out of 131,770 registered skilled workers (which accounted for 55.3%) were aged over 50. The problem has become serious with the strict regulations on hiring non-local workers in Hong Kong. According to the Supplementary Labour Scheme (“SLS”) of the Labour Department, local workers must be given priority in filling job vacancies. To ensure the priority of employment to local workers, each application for imported workers has to go through the newspaper advertising procedure, a mandatory local recruitment period at the Labour Department, and the arrangement of tailor-made retraining courses by the Employees Retraining Board if appropriate. Moreover, some construction workers may be attracted by the higher salaries offered in Macau and the PRC due to the increasing demand for construction workers since the commencement of large-scale projects in these places, which further exacerbates the labour shortage problem.

2. Increasing operating costs

Growing operating costs and its upward trend were observable in the foundation industry in Hong Kong due to the rising cost of certain raw materials and increasing wage of construction workers. For example, the average wage rate of construction workers in the foundation contracting industry has increased from HK\$842.3 per day in 2011 to HK\$1,379.4 per day in 2016, at a CAGR of 10.4%. Please refer to the paragraph headed “Price trend of major cost components” in this section for further information.

INDUSTRY OVERVIEW

3. Increasing competition

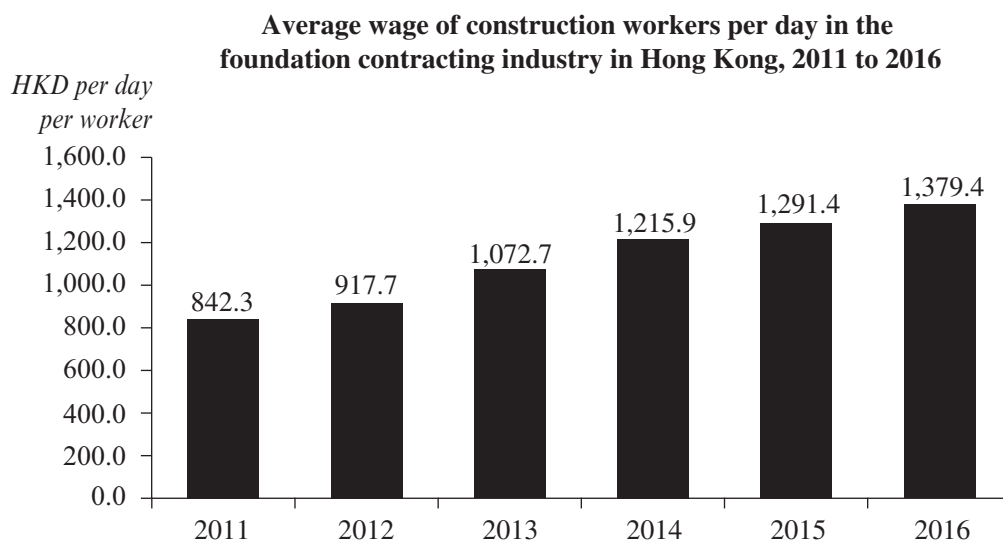
Competition has intensified in Hong Kong's foundation industry. Specifically, some contractors are now raising capital by way of listing on the Stock Exchange to expand the scope of their services and business volume by purchasing more specialised machinery for foundation works. Such business expansion plans of foundation contractors in Hong Kong has led to an increase in competition for available foundation projects.

PRICE TREND OF MAJOR COST COMPONENTS

The major cost of components of our Group's operation include, among other, subcontracting charge, direct labour cost, and the cost of construction materials such as steel and concrete (of which cement is a major ingredient).

Average wage of the foundation workers in Hong Kong

The average foundation worker wage per day has increased from HK\$842.3 in 2011 to HK\$1,379.4 in 2016 at a CAGR of 10.4%.



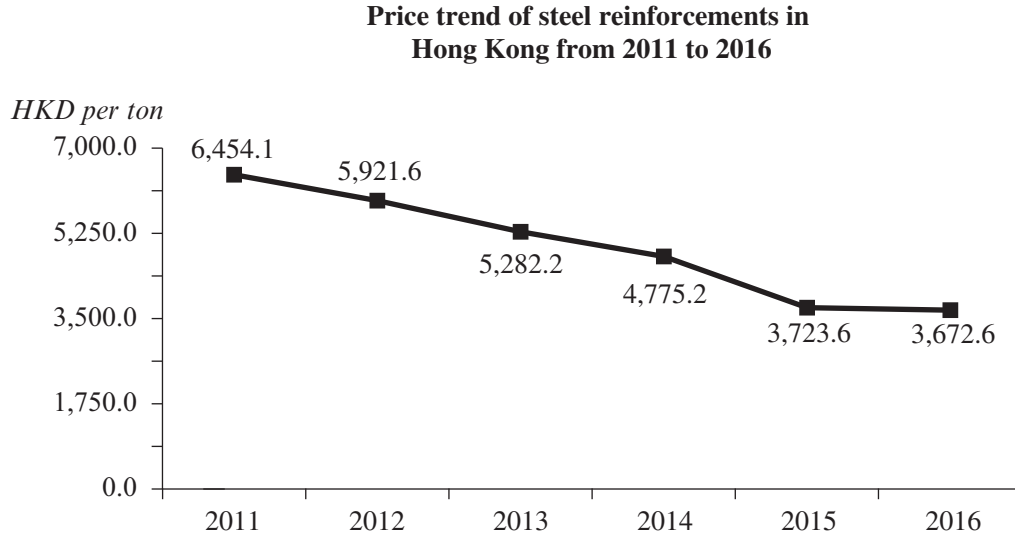
Source: The Ipsos Report

According to the Ipsos Report, the increase in wages was partly due to labour shortage. This was caused by a decreasing number of new construction workers as well as an aging workforce. The Government is encouraging youngsters to enter the industry by providing funds for training schemes and the increase in wages should attract more young workers to join the workforce. However, it only had a limited effect because of a lack of career prospects. The problem of labour shortage in the foundation industry is exacerbated by an aging workforce, as old and skilled construction workers approach retirement and leave the industry. For these reasons, it is expected that the average daily wage of foundation workers in Hong Kong will continue to rise in the coming years.

INDUSTRY OVERVIEW

Average price of steel reinforcements in Hong Kong

The average wholesale price of steel reinforcements dropped from about HK\$6,454.1 per ton in 2011 to about HK\$3,672.6 per ton in 2016, at a CAGR of -10.7%.



Source: The Ipsos Report

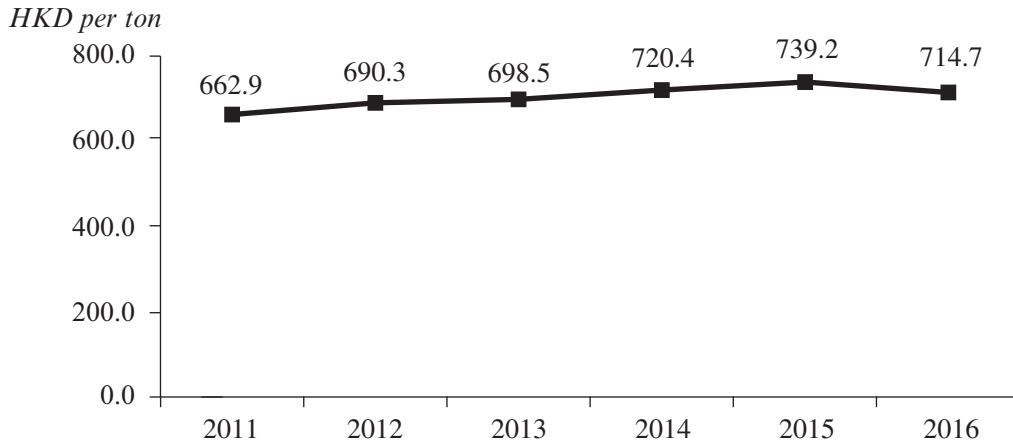
The decrease in the average wholesale price of steel reinforcements imported in Hong Kong between 2011 and 2016 was attributed to the decrease in downstream industries' demand for steel production due to difficulty in financing caused by the deteriorating European economy and China's monetary tightening policies, and hence the slowdown in demand for new construction work globally, paired with oversupply of steel.

INDUSTRY OVERVIEW

Average wholesale price of Portland cement in Hong Kong

The average wholesale price of Portland cement (being a common type of cement used in the Hong Kong construction industry) in Hong Kong increased from about HK\$662.9 per ton in 2011 to about HK\$714.7 per ton in 2016, at a CAGR of about 1.5%.

Price Trend of Portland cement in Hong Kong from 2011 to 2016



Source: The Ipsos Report

Given the robust demand for construction works in Hong Kong, the average wholesale price of Portland cement increased from HK\$662.9 per ton in 2011 to HK\$714.7 per ton in 2016 at a CAGR of 1.5%. The average wholesale price of Portland cement in Hong Kong experienced a slight decrease in 2016 due to decreasing prices offered by cement companies in the PRC. With upcoming and ongoing residential and commercial buildings and public infrastructure projects, including the Ten Major Infrastructure Projects and railway network expansion projects, the demand of Portland cement in Hong Kong is expected to remain stable.

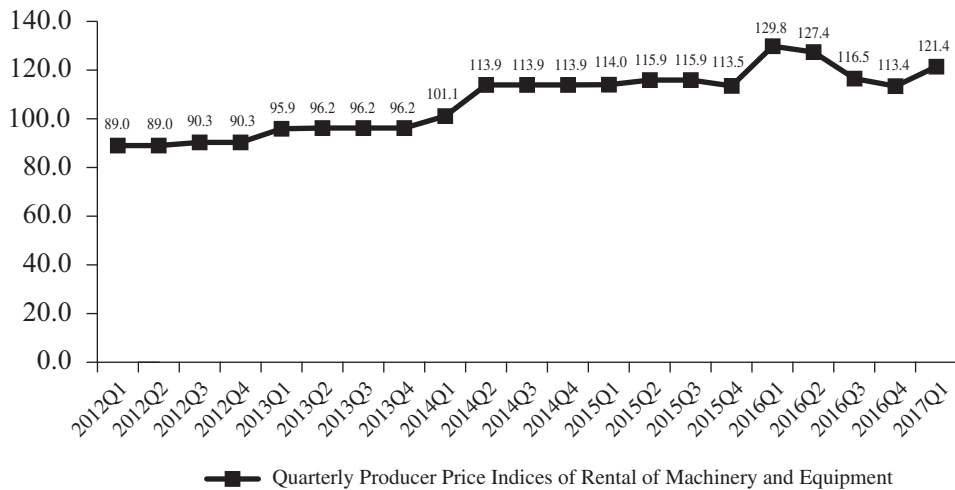
INDUSTRY OVERVIEW

Rental rates of construction machinery in Hong Kong

The producer price indices of rental of machinery and equipment from the Census and Statistics Department of the Government is an objective and relevant indicator of historical rental rate of construction work machinery in Hong Kong. The quarterly producer price indices of rental of machinery and equipment in Hong Kong indicated the rental rates trend of construction work machinery in Hong Kong, which experienced an increase from an average of 89.7 in 2012 to an average of 121.8 in 2016, at a CAGR of approximately 7.9%.

Quarterly Producer Price Indices of Rental of Machinery and Equipment

(2001=100)



Sources: Census and Statistics Department of the Government; Ipsos Research and Analysis

The future machinery rental rates in Hong Kong is expected to be mainly influenced by the performance of construction industry in Hong Kong, subject to factors such as possible fluctuations in the rental rates due to the demand and supply of construction work machineries in the market owing to the number of construction projects from time to time and the different stages of market cycle of the construction and infrastructure sectors in Hong Kong.

REGULATORY OVERVIEW

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

A. LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION LABOUR, HEALTH AND SAFETY

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, “construction work” means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. “Construction site” means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under Section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under Section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

As at the Latest Practicable Date, all our employees carrying out construction work on construction sites were registered as registered construction workers under the Construction Workers Registration Ordinance.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking (which is defined to include any construction work). Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to ensure, so far as is reasonably

REGULATORY OVERVIEW

practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

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

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules constitutes an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

We have set up an occupational health and safety system to promote safe working practices among all employees and to prevent the occurrence of accidents. For details, please refer to the section headed “Business – Occupational health and safety” in this prospectus.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

REGULATORY OVERVIEW

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintaining the workplace in a condition that is safe and without risks to health; and
 - providing and maintaining means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment that is safe and without risks to health.

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

The Commissioner for Labour may also issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against an activity undertaken on or condition of the workplace which may create an imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000, respectively, and imprisonment of up to 12 months.

In relation to our foundation works, we have set up an occupational health and safety system to promote safe working practices among all employees and to prevent the occurrence of accidents. For details, please refer to the section headed “Business – Occupational health and safety” in this prospectus.

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

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

REGULATORY OVERVIEW

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

According to section 15(1A) of the Employees' Compensation Ordinance, an employer shall report work injuries of its employee to the Commissioner for Labour not later than 14 days after the accident.

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

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable (i) on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and imprisonment for two years, and (ii) on summary conviction to a fine at level 6 and imprisonment for one year.

During the Track Record Period and up to the Latest Practicable Date, we undertook all projects as a subcontractor where our liabilities as well as the liabilities of our subcontractors are covered by the insurance policies taken out by the main contractors of the projects. In addition, during the Track Record Period and as at the Latest Practicable Date, we have taken out employees' compensation insurance to cover our liabilities under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all our employees working in our office as required under the Employees' Compensation Ordinance for an amount of up to HK\$100 million per event.

REGULATORY OVERVIEW

Please refer to the section headed “Business – Insurance – Employees’ compensation insurance” in this prospectus for our insurance coverage in this regard. Please also refer to the section headed “Business – Litigation and claims” in this prospectus for information regarding employees’ compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong)

Under the Limitation Ordinance, the time limit for an applicant to commence common law claims for personal injuries is three years from the date on which the cause of action accrued.

In relation to our potential litigation in relation to common law personal injury claims during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed “Business – Litigation and claims” in this prospectus.

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

A main contractor shall be subject to the provisions on subcontractor’s employees’ wages in the Employment Ordinance. According to Section 43C of the Employment Ordinance, a principal contractor, or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

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

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

REGULATORY OVERVIEW

Pursuant to Section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the main contractor and every other such superior subcontractor as the case may be, or (2) deduct by way of set off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

Our Directors confirm that there was no overdue outstanding wage payment owing to our employees as at the Latest Practicable Date.

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

Employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (i.e. HK\$30,000 and HK\$7,100 per month, respectively), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,500. Employers will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject to the maximum level of income (i.e. HK\$30,000).

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our employees had been duly and timely enrolled in proper MPF schemes. The contributions to such schemes had been duly made by us.

Industry scheme

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

REGULATORY OVERVIEW

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

- (1) foundation and associated works;
- (2) civil engineering and associated works;
- (3) demolition and structural alteration works;
- (4) refurbishment and maintenance works;
- (5) general building construction works;
- (6) fire services, mechanical, electrical and associated works;
- (7) gas, plumbing, drainage and associated works; and
- (8) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the industry schemes. The industry schemes provide convenience to the employers and employees in the construction and catering industries.

Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same industry scheme. This is convenient for scheme members and saves administrative costs.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had made duly and timely contributions to such scheme for our casual workers.

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

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

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

REGULATORY OVERVIEW

During the Track Record Period and up to the Latest Practicable Date, we undertook all projects as a subcontractor, where our liabilities as well as the liabilities of our subcontractors are covered by the insurance policies taken out by the main contractors of the projects.

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

According to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

Our Directors confirm that (i) we had not employed any illegal immigrants or any illegal workers who are not lawfully employable in Hong Kong; and (ii) our Group had not been subject to any prosecution or legal action under the Immigration Ordinance in the past and up to the Latest Practicable Date.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Our Directors confirm that none of our employees were paid at the current statutory minimum wage of HK\$34.5 per hour or lower as at the Latest Practicable Date.

B. LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

In undertaking foundation works (in particular piling works), our operations may result in: (i) emission of air pollutants; (ii) emission of noise from construction activities; (iii) discharge of effluent from construction activities; and (iv) disposal of construction waste. Therefore, our foundation works are subject to the requirements of the following laws and regulations in relation to the environmental protection.

For information regarding the environmental management system of our Group, please refer to the section headed “Business – Environmental Compliance” in this prospectus.

REGULATORY OVERVIEW

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

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented.

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

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of the NRMMs, including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department's approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to a technical circular issued by the Work Branch of the Development Bureau on 8 February 2015 (the "Technical Circular"), an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the "Implementation Plan"), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively.

As at the Latest Practicable Date, our Group has 65 Regulated Machines and out of which 44 machines were exempted and 21 machines were approved by the Hong Kong Environmental Protection Department under the NRMM Regulation. All of the 44 exempted

REGULATORY OVERVIEW

machines are expected to be phased out under the phase out plan set out in the Technical Circular by 31 May 2019. To keep our Group abreast of the industry changes relating to the implementation of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and the exempted NRMM phase out plan as detailed in the Technical Circular, we plan to acquire new machines and equipment which are more environmental friendly and are able to obtain approval under the NRMM Regulation if applicable. For further information regarding our plan to acquire new machinery, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions.

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

Our Directors confirmed that our Group had not been subject to any regulatory actions, disciplinary proceedings or prosecutions under the Noise Control Ordinance during the Track Record Period and up to the Latest Practicable Date.

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

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into public sewers and public drains. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal sewers or drains or unpolluted water to communal sewers or drains), they are subject to licensing control by the Director of the Environmental Protection Department.

REGULATORY OVERVIEW

All discharges, other than domestic sewage to a communal sewer or drain or unpolluted water to a communal sewer or drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000; and (c) in addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that the relevant main contractors of our construction projects are responsible for the effluent discharge and thus the compliance of the licensing requirement under the Water Pollution Control Ordinance. In such cases, the responsibility of obtaining effluent discharge licence does not vest with our Group.

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

The Waste Disposal Ordinance controls the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong).

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have paid all the required disposal charges for the construction wastes disposed of by us.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that the relevant main contractors of our construction projects are responsible for the application of the environment permit for the project under the Environment Impact Assessment Ordinance. In such cases, the responsibility of applying for environmental permit does not vest with our Group.

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

Pursuant to Section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

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Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$10,000 (level 3) upon conviction with a daily fine of HK\$200.

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

Any accumulation or deposit on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$25,000 (level 4) upon conviction and a daily fine of HK\$450.

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

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that our Group had not been subject to any regulatory actions, disciplinary proceedings or prosecutions under the Public Health and Municipal Services Ordinance.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that the relevant main contractors of our construction projects are responsible for the application of the permit for the project under the Dumping at Sea Ordinance. In such cases, the responsibility of applying for the permit does not vest with our Group.

C. LAW AND REGULATIONS IN RELATION TO CONTRACTOR LICENSING

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

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered.

Pursuant to Section 9 of the Buildings Ordinance, a person is required to appoint a registered specialist contractor to carry out for him the specialised works (such as foundation works) of the category for which the contractor is registered. Registered Specialist Contractor as described below.

For any foundation works where an entity is involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the category of foundation works to supervise the works and liaise with the Building Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licences, permits and approval for its operation and business except the business registration. During the Track Record Period and up to the Latest Practicable Date, as we undertook all projects as subcontractors and our main contractors were registered with the Buildings Department as a registered specialist contractor, we are not required to be such registered specialist contractor or obtain any requisite licences, permits and approval for our operation and business except the business registration.

During the Track Record Period and up to the Latest Practicable Date, our Group has not been subject to any regulatory actions, disciplinary proceedings or prosecutions under the Buildings Ordinance.

Subcontractor Registration Scheme

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme (the “VSRS”), which was introduced by the Provisional Construction Industry Co-ordination Board (the “PCICB”). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

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A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) (“WBDB”) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires all public works contractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors (whether nominated, specialist or domestic) registered from the respective trades available under the VSRS.

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

During the Track Record Period and as at the Latest Practicable Date, Kit Kee Engineering was registered under the Subcontractor Registration Scheme of the Construction Industry Council. For further information, please refer to the section headed “Business – Licences and qualifications” in this prospectus.

Categories of registration under the Subcontractor Registration Scheme

Subcontractors may apply for registration under the Subcontractor Registration Scheme in one or more of the 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including concreting formwork, concreting, earthwork and reinforcement bar fixing etc.

Where a contractor is to sub-contract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) of the Subcontractor Registration Scheme, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. Should the subcontractors further subcontract (irrespective of any tier) any part of the public works sub-contracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

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Requirements for registration under the Subcontractor Registration Scheme

Applications for registration under the Primary Register of the Subcontractor Registration Scheme are subject to the following entry requirements:

- (a) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Validity period of registration and renewal of registration

The registration is due for renewal every two years. A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee which oversees the Subcontractor Registration Scheme (the "Management Committee").

If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

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Codes of Conduct

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “Codes of Conduct”). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

- (a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
- (b) failure to give timely notification of changes to the registration particulars;
- (c) serious violations of the registration rules and procedures;
- (d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
- (e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
- (f) wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;
- (g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
- (h) convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - (i) loss of life; or
 - (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
- (i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;

REGULATORY OVERVIEW

- (j) convictions for employment of illegal worker under the Immigration Ordinance; or
- (k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

Regulatory actions

The Management Committee may instigate regulatory actions by directing that:

- A. written strong direction and/or warning be given to a registered subcontractor;
- B. a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- C. a registered subcontractor be suspended from registration for a specified duration; or
- D. the registration of a registered subcontractor be revoked.

D. SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY (THE "SOPL")

The Government has consulted the public on the proposed introduction of the SOPL to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry.

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

Based on the consultation document of the SOPL, the SOPL will include the following key obligations, rights and limits:

- The SOPL will prohibit "pay when paid" and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.
- The SOPL will prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.

REGULATORY OVERVIEW

- The SOPL will enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process).
- The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate of progress of work until payment is made.

Possible impact on our Group

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, approximately 23.9%, 40.1%, 30.6% and 23.7% of our Group's revenue, respectively, was derived from public sector projects. When the SOPL comes into force, it will apply to all public sector projects undertaken by us as well as all related subcontracts in the contractual chain. During the Track Record Period and up to the Latest Practicable Date, all payment periods in respect of payments made by our Group to our subcontractors did not exceed 60 calendar days for interim payments or 120 calendar days for final payments. Therefore, our Directors are of the view that the implementation of the SOPL will not have any significant impact on our business or cash flow management.

HISTORY AND DEVELOPMENT

OUR GROUP STRUCTURE AND HISTORY

Overview

We are a subcontractor of foundation works services in Hong Kong. Our history can be traced back to the incorporation of our major operating subsidiary, Kit Kee Engineering, in 1993. Mr. Yip, our executive Director, chairman and chief executive officer, together with Mrs. Yip and Mr. Yip Yiu Chung, the brother of Mrs. Yip, established Kit Kee Engineering in 1993. Subsequently, Mr. Yip Yiu Chung and Mrs. Yip transferred all of their respectively shareholdings in Kit Kee Engineering to Mr. Yip in November 2004 and May 2006, respectively and resigned as directors of Kit Kee Engineering. Mr. Yip has become the sole director and sole shareholder of Kit Kee Engineering since May 2006. For the background and relevant industry experience of Mr. Yip, please refer to the section headed “Directors and senior management” in this prospectus.

Our Group has expanded its foundation business over the years. We have participated in both private and public sectors projects.

Key business milestones

Set forth below are the key business milestones of our Group since its establishment:

Year	Milestones
1993	Kit Kee Engineering was incorporated on 19 August 1993 in Hong Kong.
1998	Kit Kee Engineering was engaged in the development of “Island Resort (藍灣半島)”, which is a private residential estate located in Siu Sai Wan.
1999	Kit Kee Engineering was engaged in the development of “Bellagio (碧堤半島)”, which is a private residential estate along Castle Peak Road, Sham Tseng.
2004	Kit Kee Engineering was engaged in the development of “One Island East (港島東中心)”, which is a Grade-A office building in Taikoo Place.
2005	Kit Kee Engineering was awarded with the Outstanding Piling Project of foundation for redevelopment of “Kwai Chung flatted factory (葵涌分層工廠大廈)” in <i>Quality Public Housing Construction & Maintenance Awards 2005</i> organised by the Housing Authority.

HISTORY AND DEVELOPMENT

Year	Milestones
2006	Kit Kee Engineering was awarded with Outstanding Piling Project of foundation for redevelopment of “Upper Ngau Tau Kok Estate Phases 2 (牛頭角上邨第二期)” in <i>Quality Public Housing Construction & Maintenance Awards 2006</i> organised by the Housing Authority.
2009	Kit Kee Engineering was engaged in the development of “Providence Bay (天賦海灣)”, which is a private residential estate in Pak Shek Kok (East).
2011	Kit Kee Engineering was awarded with the Outstanding Piling Project (New Works Projects) of foundation for public rental housing development at “Ex-Cheung Sha Wan Police Quarters (前長沙灣警察宿舍)” and demolition of “So Uk Estate Phase 1 (蘇屋邨第一期)” in <i>Quality Public Housing Construction and Maintenance Awards 2011</i> organised by the Housing Authority.
2014	Kit Kee Engineering was awarded with the Outstanding Piling Project (New Works Projects) of the foundation for public rental housing development at “Tung Chung Area 56 (東涌第56區)” and the foundation for public rental housing development at “Ex-Yuen Long Estate (前元朗邨)” in <i>Quality Public Housing Construction & Maintenance Awards 2014</i> organised by the Housing Authority.
2016	Kit Kee Engineering was engaged in the “Kwun Tong Town Centre Project (Development Areas 2 & 3) (觀塘市中心第2、3期發展區)”.
2017	Kit Kee Engineering obtained the ISO 9001:2015 quality management system certification, OHSAS 18001:2007 occupational health and safety management system certification and ISO 14001:2015 environment management system certification in January 2017.

As part of the Reorganisation for the purposes of the Listing, the Company was incorporated in the Cayman Islands on 22 February 2017.

HISTORY AND DEVELOPMENT

Our Company

Our Company was incorporated as an exempted company in the Cayman Islands on 22 February 2017 to act as the holding company of the companies comprising our Group. As at the date of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon the completion of the Reorganisation, it became the holding company of our Group with the business conducted through the operating subsidiary of our Group. Set forth below is the corporate history of Kit Kee Engineering, our operating subsidiary.

Kit Kee Engineering

Kit Kee Engineering was incorporated in Hong Kong as a limited liability company on 19 August 1993 with an initial authorised share capital of HK\$300,000 divided into 300,000 shares of HK\$1 each. It is principally engaged in the provision of construction and foundation business in Hong Kong. Upon incorporation, one subscriber share of HK\$1 each was allotted and issued at par value, to each of Mr. Yip, Mrs. Yip and Mr. Yip Yiu Chung, who are the initial subscribers of such shares.

Immediately after the aforesaid allotment and issuance of shares, the shareholding of Kit Kee Engineering was as follows:

Name of shareholders	Shareholding
Mr. Yip	1 share (33.3%)
Mrs. Yip	1 share (33.3%)
Mr. Yip Yiu Chung	1 share (33.3%)
	<hr/>
	3 shares (100%)

Subsequently, new shares were allotted and issued on 26 October 1993, following which Mr. Yip, Mrs. Yip and Mr. Yip Yiu Chung held 180,000, 75,000 and 45,000 shares of Kit Kee Engineering, respectively. Immediately after the aforesaid allotment and issuance of shares, the shareholding of Kit Kee Engineering was as follows:

Name of shareholders	Shareholding
Mr. Yip	180,000 shares (60%)
Mrs. Yip	75,000 shares (25%)
Mr. Yip Yiu Chung	45,000 shares (15%)
	<hr/>
	300,000 shares (100%)

HISTORY AND DEVELOPMENT

Mr. Yip Yiu Chung transferred all his 45,000 shares in Kit Kee Engineering to Mr. Yip in consideration of HK\$45,000 on 16 November 2004 and Mrs. Yip transferred all her 75,000 shares in Kit Kee Engineering to Mr. Yip in consideration of HK\$75,000 on 22 May 2006. Subsequent to these share transfers, the shareholding of Kit Kee Engineering since 22 May 2006 and up to the Reorganisation, is as follows:

Name of shareholder	Shareholding
Mr. Yip	<u>300,000 shares (100%)</u>
	300,000 shares (100%)

As part of the Reorganisation, Kit Kee Engineering became an indirect wholly-owned subsidiary of our Company. For further details, please refer to the paragraph headed “Reorganisation” in this section.

Fame Circle

Fame Circle, which is directly and wholly-owned by Mr. Yip, was incorporated in the BVI with limited liability on 22 December 2016. As at the date of incorporation, Fame Circle had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.

On 3 January 2017, 50,000 shares of Fame Circle were allotted and issued to Mr. Yip at par value. Since then, Mr. Yip has been the sole shareholder of Fame Circle.

Richer Ventures

Richer Ventures, the intermediate holding company of our Group, was incorporated in the BVI with limited liability on 25 October 2016. As at the date of incorporation, Richer Ventures had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.

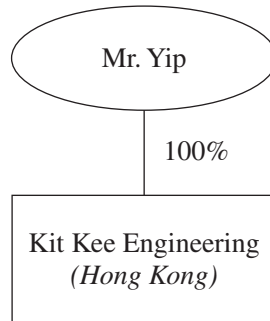
On 3 January 2017, 50,000 shares of Richer Ventures were allotted and issued to Fame Circle at par value. Since then and up to the Reorganisation, Richer Ventures was a wholly-owned subsidiary of Fame Circle. As part of the Reorganisation, Richer Ventures became a direct wholly-owned subsidiary of our Company. For further details, please refer to the paragraph headed “Reorganisation” in this section.

HISTORY AND DEVELOPMENT

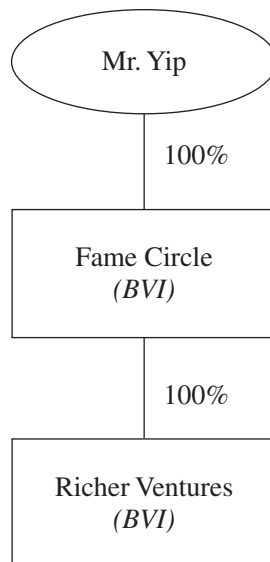
REORGANISATION

The following diagrams set forth the corporate and shareholding structure of our Group immediately before the Reorganisation:

(A) Kit Kee Engineering



(B) Fame Circle and Richer Ventures



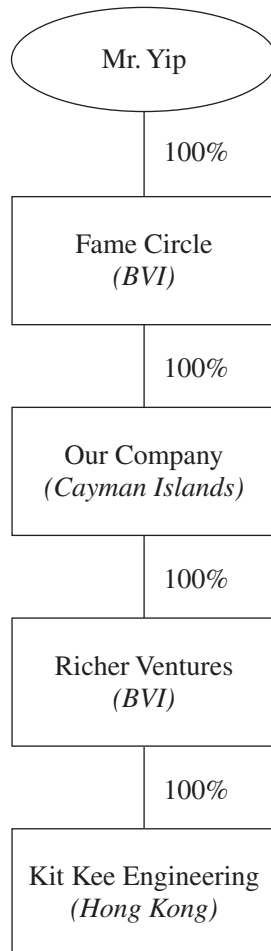
Corporate Reorganisation

Our Company completed the Reorganisation on 21 August 2017 in preparation for the Listing, pursuant to which our Company became the holding company of our Group comprising Richer Ventures and Kit Kee Engineering. Details of the Reorganisation are set out in the paragraphs headed “A. Further information about our Company – 5. Reorganisation” in Appendix V to this prospectus.

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

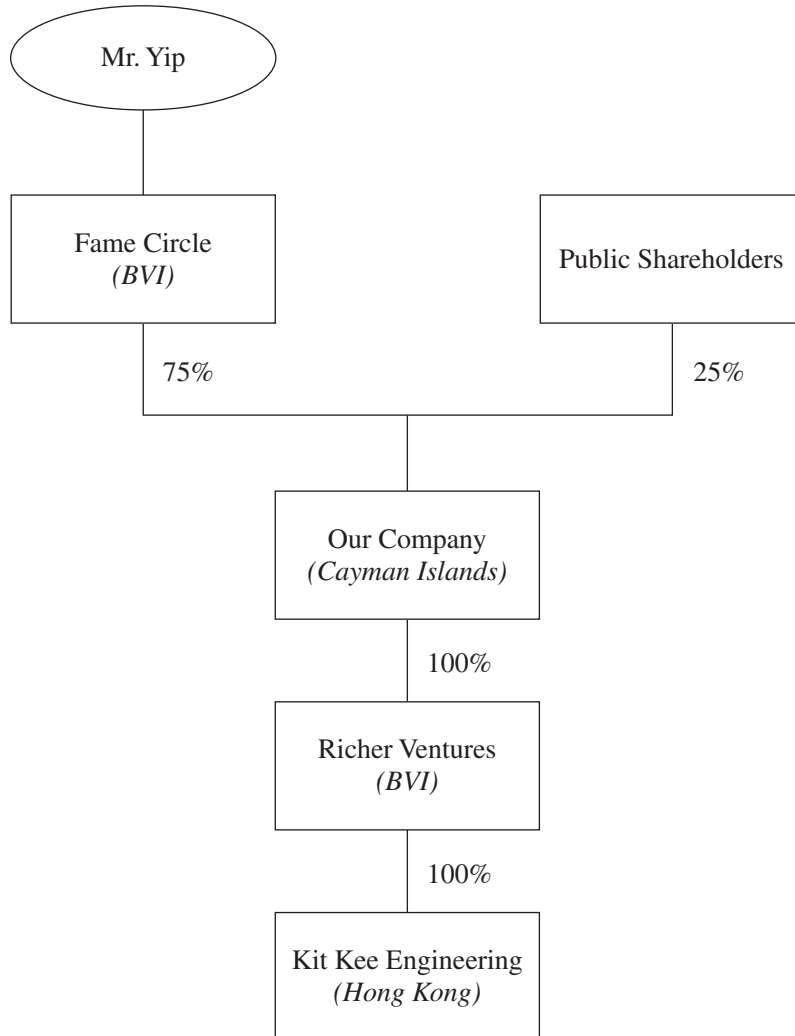
HISTORY AND DEVELOPMENT

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



HISTORY AND DEVELOPMENT

The following diagram sets forth the corporate and shareholding structure of our Group immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme:



BUSINESS

OVERVIEW

We are a long-established subcontractor of foundation works services in Hong Kong. Our history can be traced back to the incorporation of our principal operating subsidiary, Kit Kee Engineering in 1993. During the Track Record Period, foundation works undertaken by us mainly included ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services including dismantling of shoring, site formation, steel fixing and site clearance. Our services are mainly required in the construction of commercial and residential buildings.

Our customers are main contractors in Hong Kong while we act as their subcontractor. The table below sets out our revenue and gross profit margin during the Track Record Period by types of foundation works:

	FY2014/15			FY2015/16			FY2016/17			For the six months ended 30 September 2016			For the six months ended 30 September 2017		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	<i>HK\$'000</i>	%	%	<i>HK\$'000</i>	%	%	<i>HK\$'000</i>	%	%	<i>HK\$'000</i>	%	%	<i>HK\$'000</i>	%	%
Foundation works	(unaudited)														
- ELS and pile cap construction works	425,463	91.1	4.7	572,062	92.6	10.4	565,489	95.3	12.1	262,705	95.7	11.1	439,099	96.0	12.2
- Disposal of excavated materials from piling	35,209	7.5	10.3	38,783	6.3	10.4	26,115	4.4	10.9	10,943	4.0	10.8	15,045	3.3	12.1
- Ancillary services	6,630	1.4	7.2	7,001	1.1	9.2	1,968	0.3	12.0	889	0.3	11.5	3,218	0.7	12.8
Total	467,302	100	5.2	617,846	100	10.3	593,572	100	12.0	274,537	100	11.1	457,362	100	12.2

BUSINESS

We are engaged in projects in both public and private sectors. Public sector projects refer to projects in which the ultimate project employer is the Government, statutory bodies or statutory corporations while private sector projects cover all other types of engagements. During the Track Record Period, we had a total of 90 projects which contributed revenue to us. The table below sets out a breakdown of our revenue and gross profit margin by project nature and number of projects with revenue contribution to us during the Track Record Period:

	FY2014/15			FY2015/16			FY2016/17			For the six months ended 30 September 2016			For the six months ended 30 September 2017							
	No. of projects	Revenue		Gross profit margin	No. of projects (Note 1)	Revenue		Gross profit margin	No. of projects (Note 2)	Revenue		Gross profit margin	No. of projects (Note 3)	Revenue		Gross profit margin				
		HKS'000	%			HKS'000	%			HKS'000	%			HKS'000	%		HKS'000	%		
Private sector	35	355,815	76.1	5.2	27	369,990	59.9	8.9	25	412,053	69.4	11.4	18	156,296	56.9	10.0	34	348,815	76.3	12.5
Public sector	8	111,487	23.9	5.0	7	247,856	40.1	12.5	8	181,519	30.6	13.6	6	118,241	43.1	12.7	8	108,547	23.7	11.4
Total	43	467,302	100	5.2	34	617,846	100	10.3	33	593,572	100	12.0	24	274,537	100	11.1	42	457,362	100	12.2

Notes:

1. Out of the 34 projects which contributed revenue to the FY2015/16, 22 projects also contributed revenue to the FY2014/15.
2. Out of the 33 projects which contributed revenue to the FY2016/17, 8 projects and 17 projects also contributed revenue to the FY2014/15 and FY2015/16, respectively.
3. Out of 24 projects which contributed revenue to the six months ended 30 September 2016, 6 projects and 15 projects also contributed revenue to the FY2014/2015 and FY2015/16, respectively.
4. Out of 42 projects which contributed revenue to the six months ended 30 September 2017, 4 projects, 7 projects and 16 projects also contributed revenue to the FY2014/15, FY2015/16 and FY2016/17, respectively.

The table below sets out the movement of projects with revenue contribution during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Existing projects (as at 1 April)	22	22	17	16
Projects completed	(21)	(17)	(17)	(19)
New projects awarded	21	12	16	26
Existing projects (as at the end of the year/period)	<u>22</u>	<u>17</u>	<u>16</u>	<u>23</u>

BUSINESS

During the Track Record Period, we entered into remeasurement contracts with our customers for our projects. Our remeasurement contracts contain, among other things, bill of quantities that sets out the agreed unit rates and the estimated quantities of each item of works to be consumed or deployed in the project. A typical contract also contains an estimated contract sum based on the agreed unit rates and the estimated quantities of work items. The actual amount of works to be carried out by us under our contract is subject to the customer's orders placed during the contract period and the total actual value of work done may be different from the original estimated contract sum stated in the contract. Our customers will measure the actual quantities of works executed on site and our Group will be paid based on the actual works done.

As all the necessary licences required for projects in which our Group is involved are possessed by the relevant main contractors, there is no particular licence required to be obtained by our Group before commencing our provision of foundation services as a subcontractor except the business registration. However, main contractors of certain types of public sector projects such as Housing Authority projects are required to engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council. During the Track Record Period, Kit Kee Engineering is registered under such scheme. For further details of our licences and permits, please refer to the paragraph headed "Licences and qualifications" in this section.

We possess our own construction machinery for performing different types of foundation works. These construction machinery mainly include excavators, cranes, crushers and drill rigs. Our Directors believe that our investment in construction machinery enables us (i) to cater for foundation works of different scales and complexities; (ii) to deploy more machinery to our projects which in turn would improve our execution efficiency and; (iii) to meet the expected growing demand in the foundation industry in Hong Kong in the future. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we purchased new construction machinery in the amount of approximately HK\$17.6 million, HK\$4.7 million, HK\$7.0 million and HK\$4.7 million at costs, respectively.

We engage subcontractors for performing certain processes involved in our foundation works which include laying of concrete, reinforcement fixing and formwork erection. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our subcontracting charges incurred were approximately HK\$69.5 million, HK\$83.1 million, HK\$88.0 million and HK\$107.7 million, respectively. Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) suppliers of construction materials required for performing foundation works such as steel bars, structural steel and concrete; (ii) our subcontractors; and (iii) suppliers of other miscellaneous services such as the transportation of machinery and transportation of excavated materials from piling, the rental of machinery, repair and maintenance of machinery and the supply of fuel for powering machinery. For further information regarding our suppliers, please refer to the paragraph headed "Suppliers" in this section.

COMPETITIVE STRENGTHS

Our Directors consider that our competitive strengths include:

We have an established market presence in the foundation industry in Hong Kong with over 20 years of business operation.

Our Group first commenced business operations when Kit Kee Engineering, our principal operating subsidiary, was incorporated in 1993. In our operating history of over 20 years, we focus primarily on providing foundation works services as a subcontractor and have developed the experience and capability to provide a comprehensive range of foundation construction and related services. We are particularly experienced in ELS related works. Over the years, we have received various awards and recognitions from our customers, as disclosed in the paragraph headed “Certifications and awards” in this section. Therefore, our Directors consider that we have an established market presence in the foundation industry, and that we maintain stable business relationship with our customers in Hong Kong and are able to further cultivate potential business opportunities.

We believe that our established market presence in the foundation industry in Hong Kong gives us an advantage in terms of maintaining existing customers and securing new business opportunities.

We own a wide range of construction machinery to carry out foundation works.

We have our own construction machinery, including excavators, cranes, crushers and drill rigs, for performing different types of foundation works. We also engage other suppliers for rental of construction machinery when our own construction machinery reaches its full service capacity. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we acquired new machinery in the amount of approximately HK\$17.6 million, HK\$4.7 million, HK\$7.0 million and HK\$4.7 million at costs, respectively.

With our own construction machinery, we are able to undertake projects of different scales and complexities and maintain our service capacity to meet the expected growing demand in the foundation industry in Hong Kong in the future. For further information regarding our construction machinery, please refer to the paragraph headed “Machinery” in this section.

We have established long term relationship with customers.

We have built long-standing relationships with our major customers, which we consider to be part of our valuable competitive strength. The long term relationship with our customers allows us to gain market intelligence and understand the specific needs of customers for foundation works. As at the Latest Practicable Date, we had relationships with our five largest customers for a period ranging from less than one year to 19 years.

BUSINESS

We have established 19 years of relationship with our largest customer, Customer Tysan, which is the largest foundation contractor in Hong Kong in 2016 according to the Ipsos Report. According to the latest annual report of the holding company of Customer Tysan, it has a considerable number of foundation works projects. Our Directors consider that an active foundation contractor in Hong Kong would have substantial demands for foundation works services from subcontractors which are capable of providing reliable and quality services and with which it has long-standing relationship. For further information regarding Customer Tysan, please refer to the paragraph headed “Customers – Our relationship with Customer Tysan” in this section.

We believe that maintaining good customer relationships enables our Group to have more tender opportunities and thus places us in an advantageous position in obtaining new businesses.

Our management team is experienced and dedicated.

Our chief executive officer, executive Director and one of our co-founders, Mr. Yip, has 40 years of experience in the foundation industry. Our another executive Director, Mr. Cheung, who has joined our Group for more than 20 years, is experienced in the business operations of our Group and overall market trend in the foundation industry. For further details regarding the background and experience of our management team, please refer to the section headed “Directors and senior management” in this prospectus.

Under the leadership of Mr. Yip, we have a strong and dedicated execution team in liaising with our existing and potential customers for their needs and market trends. In particular, we maintain frequent interactions with our customers for their feedbacks on the quality of our services. Our Directors believe that our management’s technical expertise and professional knowledge of the industry have been our Group’s valuable assets and will continue to strengthen our competitiveness in the industry.

BUSINESS STRATEGIES

We target to further strengthen our market position as an established subcontractor for foundation works in Hong Kong. According to the Ipsos Report, the gross output value of foundation industry in Hong Kong is forecasted to increase from approximately HK\$23.1 billion in 2017 to approximately HK\$26.3 billion in 2021. With the expected growth of the industry, we intend to cultivate new business opportunities actively in order to undertake more foundation projects from both our existing and potential customers. To cater for such expansion, we plan to pursue the following business strategies:

Enhancing our construction machinery fleet

The availability of our machinery is crucial on our capacity to carry out foundation works for our customers and also the satisfaction of our customers. Our Directors believe that our investments in construction machinery enable us to undertake foundation works of

BUSINESS

different scales and complexities and to meet the expected growing demand in the foundation industry in Hong Kong in the future. Also, enhancing our own construction machinery would allow us to enjoy more flexibility and higher efficiency in the utilisation and allocation of machinery in accordance with our needs. With the implementation of the NRMM Regulation and the Technical Circular, we plan to acquire new machines and equipment which are more environmental friendly and are able to obtain approval under the NRMM Regulation if applicable. Our Directors also believe that our continued investments in machinery is necessary in order to reduce our reliance on operating lease and enable our Group to enjoy more flexibility and higher efficiency in the utilisation and allocation of machinery in accordance with our needs, which may vary depending on our workload and work schedules from time to time.

We intend to utilise approximately HK\$53.2 million, being 65.6% of the listing proceeds, to acquire additional construction machinery such as excavators and cranes. Our Directors believe that the purchase of additional machinery will enable us to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers.

Expanding our labour force

As at the Latest Practicable Date, we had 261 employees, including 164 direct construction workers. In some cases, we also engage subcontractors to carry out some of our foundation works. In order to cope with our business expansion plan, our Directors consider that additional manpower is required for project management and execution. In addition, our Directors consider that going forward, it is beneficial for our Group to carry out works using our own direct labour resources to the extent possible (subject to the availability of our own resources) rather than subcontracting. The major reason is that our Directors consider that the use of our own labour resources would generally lead to a higher profit margin for our Group as compared to that of the adoption of subcontractors since we have more control as to the profit markup.

We intend to utilise approximately HK\$17.0 million, being 21.0% of the listing proceeds, to (i) expand our labour resources by recruiting staffing for project management and supervision and project execution as well as accounting and finance staff in order to cope with our business development and our planned purchases of additional machinery as mentioned above; (ii) arrange more training courses for our workers on different types of foundation works including ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services including dismantling of shoring, site formation, steel fixing and site clearance, as well as work safety. These training courses include seminars as well as courses organised by external parties.

BUSINESS

Reinforcing our sales and marketing effort

During the Track Record Period, our management team actively liaised with existing and potential customers from time to time for relationship building and project management and therefore we secured new businesses mainly through direct invitation for quotation or tender by customers.

We intend to strengthen our sales and marketing efforts in order to further enhance our corporate image, maintain customer relationship and further expand our clientele. Such efforts shall include forming a team of staff for promoting investors' relationship, designing and setting up dedicated web pages for promoting our services, displaying our name prominently on our construction machinery, sponsoring more business events organised by our customers, and approaching potential customers more actively to secure new business opportunities.

We intend to utilise approximately HK\$4.2 million, being 5.2% of the listing proceeds, to reinforce our sales and marketing efforts. Our Directors believe that the increase in our marketing effort will further increase industry players' awareness of our Group and further strengthen our presence in the foundation industry in Hong Kong.

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

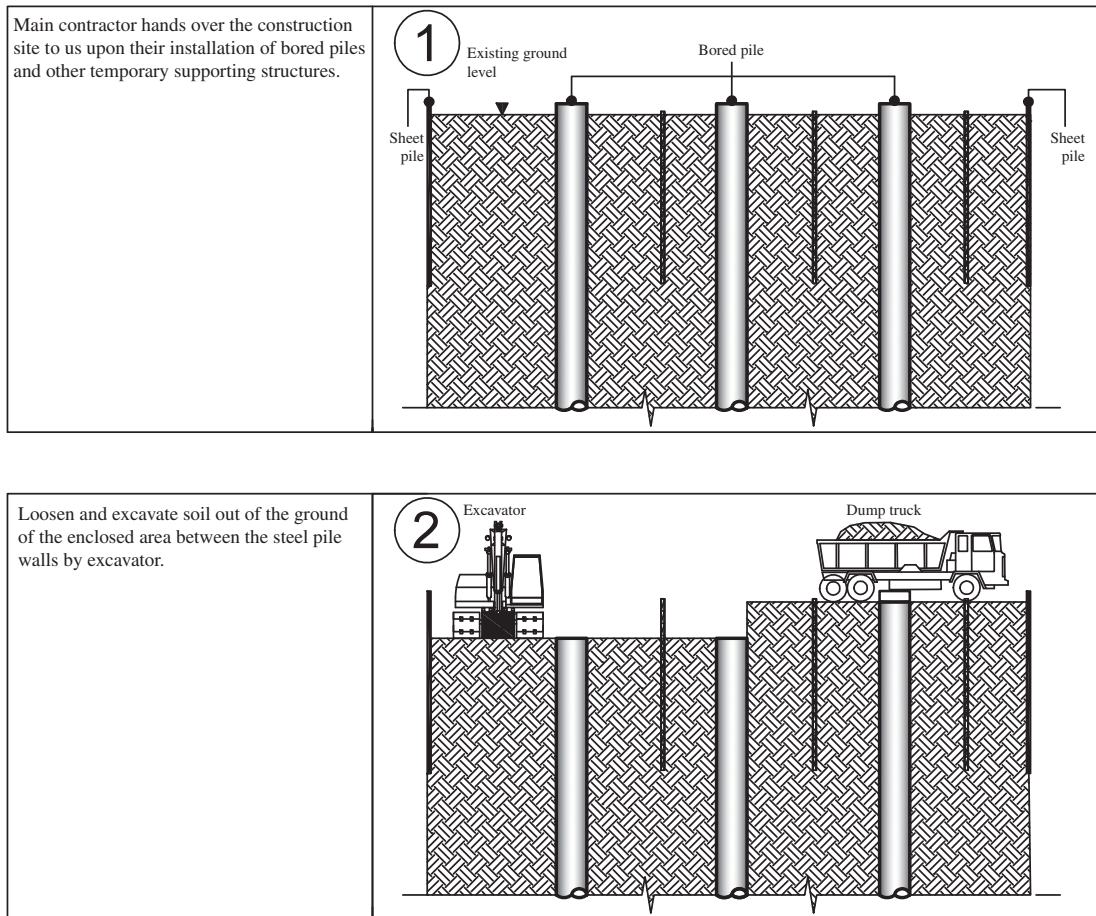
OUR PRINCIPAL BUSINESS AND BUSINESS MODEL

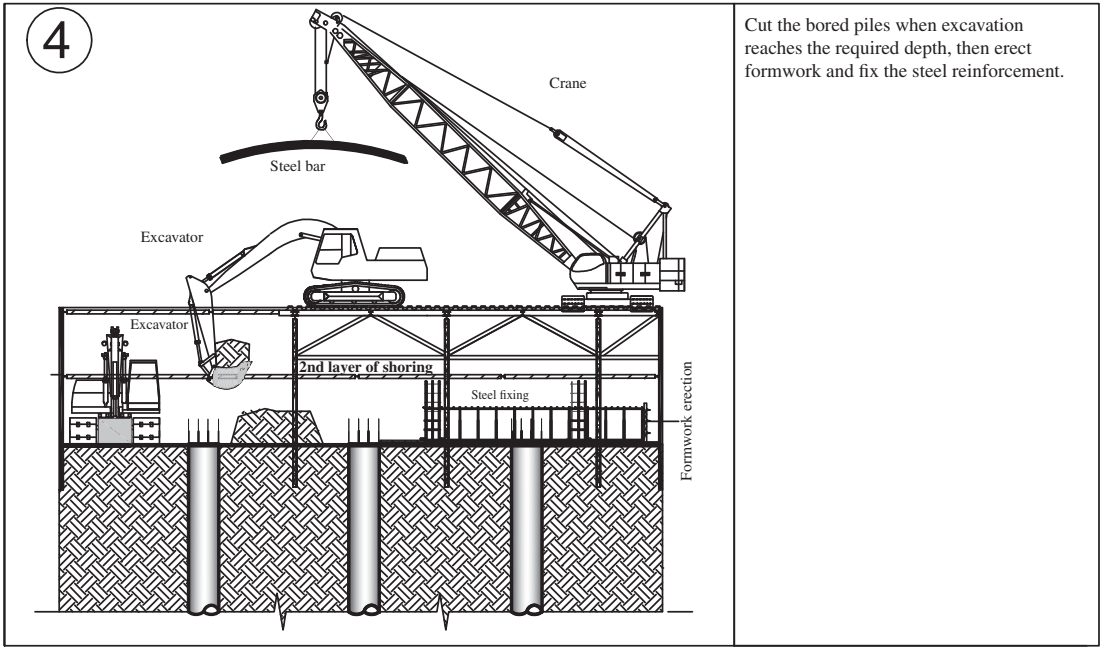
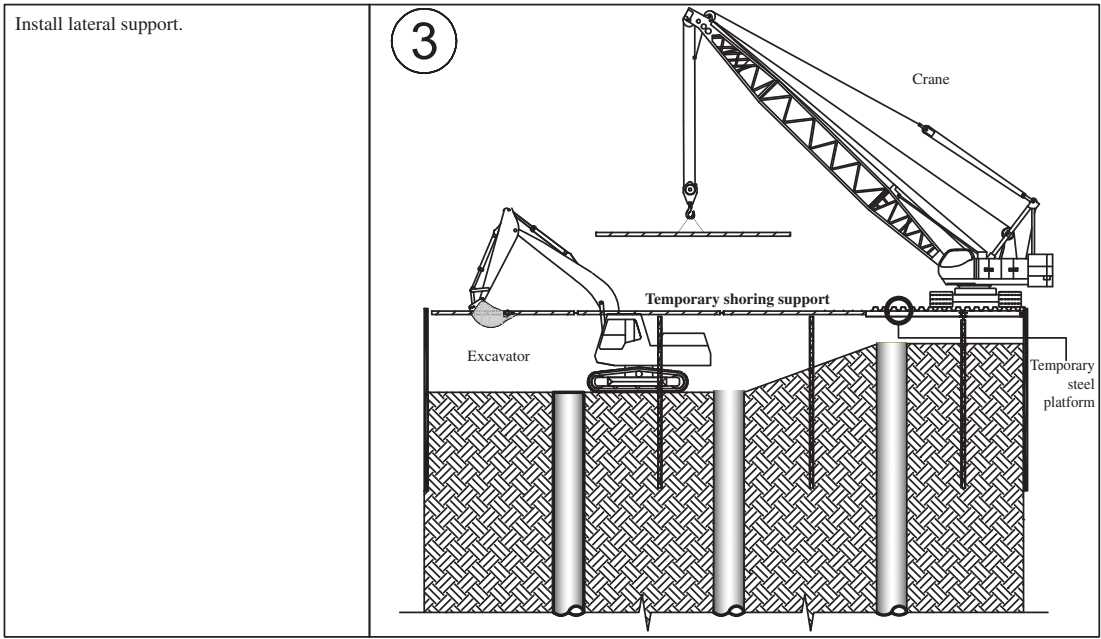
We provide foundation works services as a subcontractor solely in Hong Kong. Our services are mainly required in the construction of commercial and residential buildings. Our foundation works during the Track Record Period mainly include (i) ELS and pile cap construction works; (ii) disposal of excavated materials from piling; and (iii) ancillary services including dismantling of shoring, site formation, steel fixing and site clearance. Our services are inter-related to one another and our projects may require single or multiple type(s) of services depending on the customers' needs and requirements for their construction projects.

Foundation works services

(i) ELS (Excavation and lateral support) and pile cap construction works

ELS works is an early process in building and construction. In our construction projects, we generally commence ELS works when our main contractor hands over the construction site to us upon their installation of bored piles and other temporary supporting structures. ELS works involve the repeated processes of (i) installing and shoring up support by steel pile walls; (ii) loosening and excavating soil out of the ground of the enclosed area between the steel pile walls; (iii) installing lateral support between steel pile walls to maintain stability until reaching the required depth of excavation. When excavation reaches the required depth, bored piles would then be cut, formwork would be erected and steel reinforcement would be fixed. Afterwards, pile cap is ready for concreting.

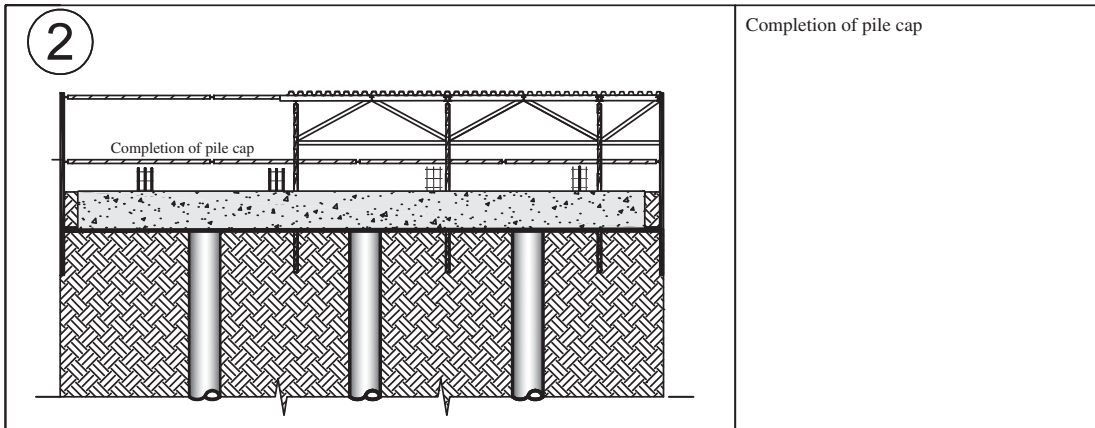
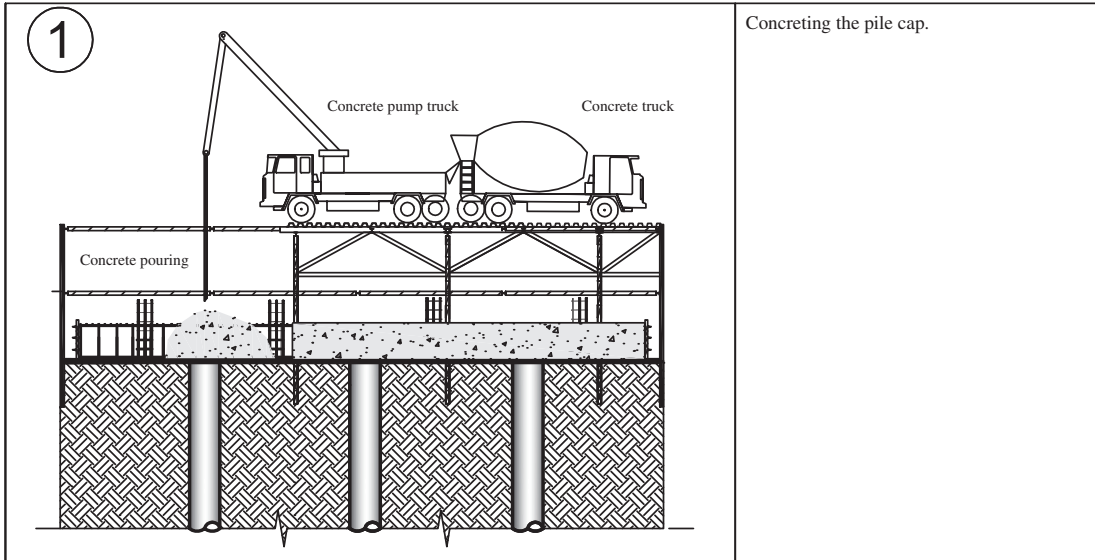




Cut the bored piles when excavation reaches the required depth, then erect formwork and fix the steel reinforcement.

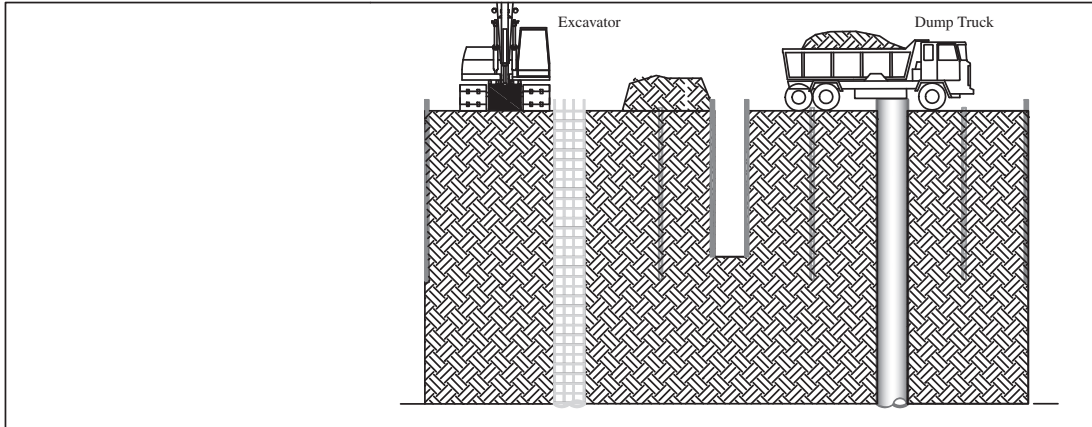
Pile cap

Pile caps usually form part of the foundation of a building or structure. A pile cap is a concrete block that is placed on the top of a pile or a group of piles to transmit and distribute loads from the structure to the pile or group of piles. Pile caps are constructed by pouring concrete into the formworks erected.



(ii) Disposal of excavated materials from piling

A bored pile is a type of reinforced concrete pile cast on the construction site. Prior to performing ELS and pile cap construction works, surplus material (i.e. mainly soil) has to be excavated from the bored piles and disposed of by transporting to designated disposal area.



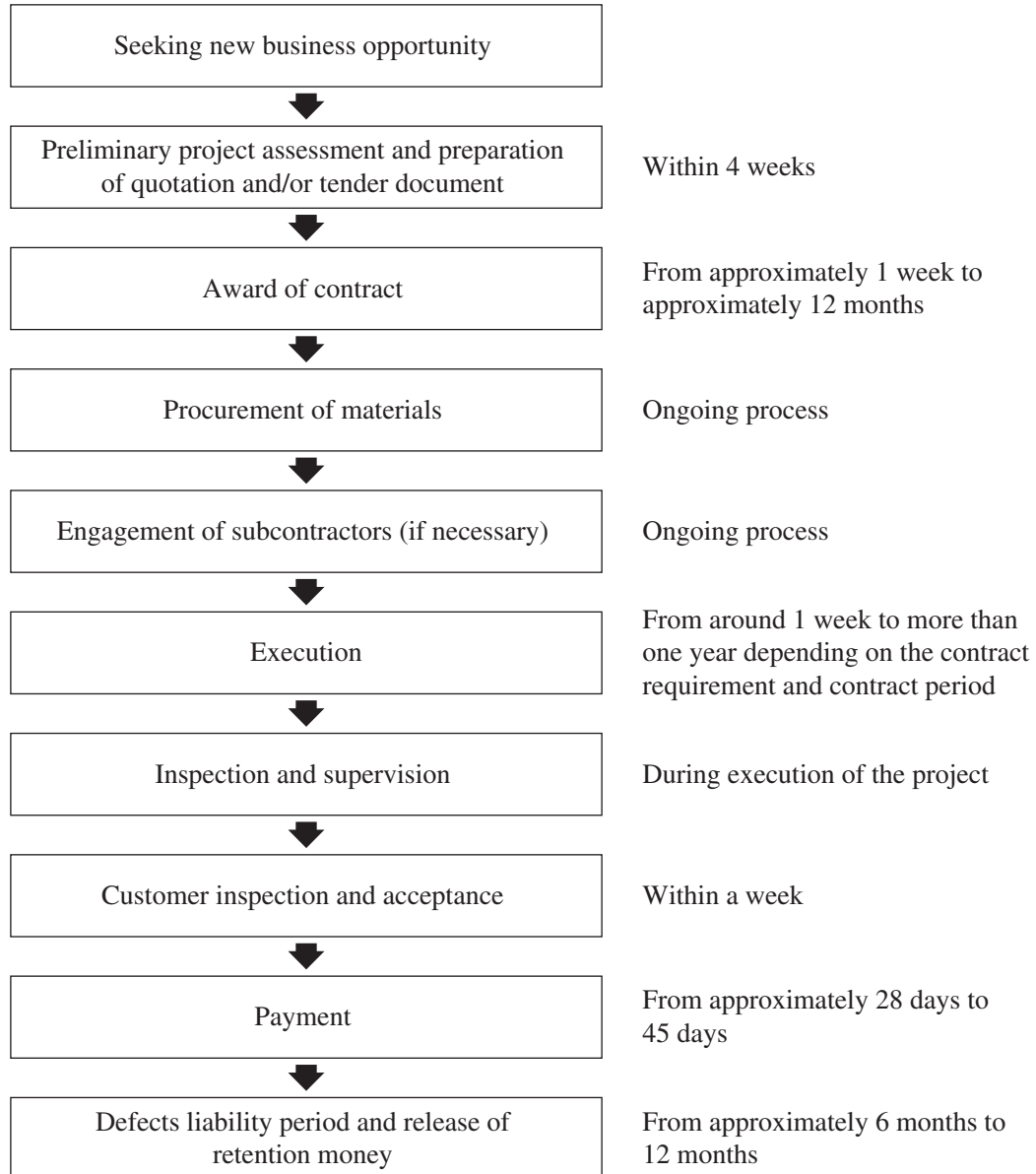
(iii) Ancillary services

Our ancillary services include dismantling of shoring, site formation, steel fixing and site clearance.

BUSINESS

Operation flow

The following diagram summarises the principal steps of our workflow of a typical project^(Note):



Note: The timeline of our workflow varies for different projects depending on factors such as terms of contract, nature of works (including variation orders) and/or our agreement with the customer on the timeframe for the principal steps as well as the existence of any unforeseeable circumstances.

BUSINESS

Seeking new business opportunity

During the Track Record Period, we were approached by main contractors from time to time and obtained new business opportunities through quotation or tender. For further information, please refer to the paragraph headed “Sales and marketing” in this section.

Preliminary project assessment and preparation of quotation and/or tender documents

In general, we prepare either a fee quotation or a tender submission based on our customer’s request upon receiving information regarding a new potential project. Our Directors and senior management estimate the total costs involved in a project in order to determine our fee quotation or tender price, after taking into account, amongst other things, the expected labour and material costs, the complexity of the project, the expected timeframe of the project, prevailing market conditions, the location of the site as well as machinery and equipment rental costs if necessary. We also obtain quotations from subcontractors for the works to be subcontracted.

We then prepare the required fee quotation and/or tender submissions based on the information available and our preliminary assessment. For tender submission, we are generally required to prepare a relatively comprehensive set of documents including technical specification, bill of quantities, construction timeframe and safety supervision plan in accordance with our customer’s request and tender specifications. For fee quotation, we will provide a quotation which includes the unit rates and basic contract terms only. For our pricing strategy, please refer to the paragraph headed “Pricing strategy” in this section.

Award of contract

After finalising our tender proposal and/or fee proposal, we provide our quotation and/or make tender submission to our potential customer. For sizeable projects (especially those subject to formal tender procedure where tender bids submitted by different tenderers are evaluated by the customer during the tender process), customers may require us to attend tender interviews to present or answer queries for our tender submission, and to negotiate and finalise the terms of the engagement. Our customers may confirm our engagement by endorsing our quotation previously submitted or by way of issuing a letter of acceptance to us, if our fee quotation is accepted by our customer or our tender bid is successful.

BUSINESS

The following table sets out the number of invitations for quotation, the number of quotations submitted, the number of contracts awarded and our success rates during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Number of quotation invitations received	132	95	97	40
Number of quotations submitted	117	86	86	39
Number of contracts awarded ^(Notes 1&2)	11	9	8	5
Success rate ^(Note 2)	9.4%	10.5%	9.3%	12.8%

Notes:

1. The 11, 9, 8 and 5 contracts awarded as shown in the above table contributed revenue amounting to HK\$100.8 million, HK\$120.5 million, HK\$70.1 million and HK\$36.9 million, respectively, during the Track Record Period (including during the year/period of award and thereafter within the Track Record Period).
2. Quotation success rate for a financial year/period is calculated based on the number of contracts awarded (whether awarded in the same financial year/period or subsequently) in respect of the quotations submitted during that financial year/period.

The following table sets out the number of invitations for tender, the number of tenders submitted, the number of contracts awarded and our success rates during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Number of tender invitations received	94	93	119	45
Number of tenders submitted	87	79	110	40
Number of contracts awarded ^(Note 3&4)	7	17	11	3
Success rate ^(Note 4)	8.0%	21.5%	10.0%	7.5%

Notes:

3. The 7, 17, 11 and 3 contracts awarded as shown in the above table contributed revenue amounting to HK\$326.9 million, HK\$188.0 million, HK\$63.5 million and HK\$1.6 million, respectively, during the Track Record Period (including during the year/period of award and thereafter within the Track Record Period).

BUSINESS

4. Tender success rate for a financial year/period is calculated based on the number of contracts awarded (whether awarded in the same financial year/period or subsequently) in respect of the tenders submitted during that financial year/period.

We experienced a relatively stable quotation success rate for FY2014/15, FY2015/16 and FY2016/17 while our tender success rate increased from 8.0% for FY2014/15 to 21.5% for FY2015/16 then decreased to 10.0% for FY2016/17. Our Directors are of the view that the higher tender success rate recorded in FY2015/16 was mainly due to our more competitive pricing strategy for tenders submitted in FY2015/16 in an attempt to secure more new projects as certain major projects were completed in FY2014/15 and FY2015/16. In view of the good business relationship with our customers and our proven track record as a quality contractor in handling foundation works, our tender success rate was higher with our competitive pricing strategy for tenders in FY2015/16. Our tender success rate decreased to approximately 7.5% while our quotation success rate increased to approximately 12.8% for the six months ended 30 September 2017. In implementing our business strategy of diversifying our customer base, we have placed more emphasis on securing business opportunities offered by customers other than Customer Tysan, where a majority of such customers required only quotation submissions rather than tender submissions, while we placed relatively less emphasis on our tender submissions to Customer Tysan, resulting in the decrease in our tender success rate and the increase in our quotation success rate.

It is our strategy to be responsive to our customers' tender and quotation invitations, and actively provide to our customers our fee quotations and/or tender submissions upon receipt of their invitations. Our Directors believe that this can enable us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may experience fluctuations in our overall tender success rates from period to period. Given our tender strategy and in view of our performance over the Track Record Period and our projects on hand as at the Latest Practicable Date (see "Projects on hand" below in this section), our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

Procurement of materials

We may procure construction materials on our own or rely on our customers to provide to us at our cost or at the cost of our customers depending on the terms of the relevant customer contract. In certain cases, there was contra-charge arrangement where we purchased certain construction materials from some of our customers during the Track Record Period, details of which are disclosed in the paragraph headed "Customers – Customers who were also our suppliers" in this section. For cases where we need to procure construction materials on our own account, we would generally place orders with our suppliers directly. If the construction materials are to be consumed by our subcontractors for certain part of the foundation projects, the costs of materials may be borne by us or by our subcontractors, depending on our agreements with our subcontractors in the relevant projects.

BUSINESS

We purchase construction materials on a project-by-project basis in accordance with the project specifications. Therefore, we do not maintain any inventory of construction materials.

Engagement of subcontractors (if necessary)

We may subcontract part of our foundation works to our subcontractors to maintain flexibility in allocating human resources and increase cost effectiveness. For details on our selection of subcontractors, please refer to the paragraph headed “Suppliers” in this section.

Execution

Our Group is required to carry out foundation works according to the designs and work plans as provided by our customers and also customers’ requirement delivered to us from time to time during the execution of the projects. Depending on the size and complexity of a specific project, an execution team would be formed and led by one or two foreman. Our management team, together with our foreman, would be responsible for maintaining close contact with the subcontractors to inspect the progress and quality of the project and to resolve any problems encountered. Our executive Directors would hold regular meetings with the main contractors to ensure the works performed can meet the timeline imposed and also customers’ requirement within budget and in compliance with all applicable statutory requirements.

Variation orders (if any)

Our customer may, in the course of project execution, place orders concerning variation to part of the works that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension of works; and (ii) changes to timing or schedule of construction specified in the main contract. We will discuss with our customer to mutually agree on the sum of variation orders which shall be added to or deducted from the original estimated contract sum mainly with respect to rate of works of the same or similar character as set out in the main contract. A variation order will usually be notified to us by way of a letter from our customer describing the detailed works to be carried out as a result of such variation order.

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our total revenue recognised amounted to approximately HK\$467.3 million, HK\$617.8 million, HK\$593.6 million and HK\$457.4 million, respectively. For each of FY2014/15, FY2015/16, FY2016/17 the six months ended 30 September 2017, our net revenue recognised for variation orders amounted to approximately HK\$31.4 million, HK\$29.9 million, HK\$56.3 million and HK\$23.5 million, respectively.

Inspection and supervision

We have designated personnel to carry out in-house quality inspection and supervision during project execution in accordance with (i) our in-house quality management systems which conform with the requirements of the ISO 9001 standards; and (ii) our customers' specifications and requirements. For further information regarding our quality management systems, please refer to the paragraph headed "Quality control" below in this section.

Customer inspection and acceptance and payment

Our Group's contracts normally require our customers to make progress payments on a monthly basis based on the amount of work done.

We send to our customers the interim payment applications on a monthly basis, listing out the amount and the value of our work done. After our Group has submitted an interim payment invoice, the quantity surveyors of our customers will verify the amount of work done. Our customers would then make payment to us, net of agreed retention money. The credit period offered to our customers generally ranged from 28 to 45 days. Similarly, we normally pay our subcontractors on a monthly basis with reference to the certified value of works done by the subcontractors. For other suppliers, such as supplier of construction materials, we normally pay upon receipt of the products. Payment terms offered by our suppliers generally ranged from approximately 0 to 30 days.

We make payments to our suppliers according to our separate contracts or purchase orders with them without taking into account whether we have received payments from customers. As such, cash flow mismatch may occur when we pay our subcontractors and other suppliers before receiving payments from our customers. This will result in an increase in our working capital requirements, which is further discussed in the paragraph headed "Risk management and internal control systems – Liquidity risk" in this section.

Defects liability period and release of retention money

We usually provide a defects liability period for sizeable projects. Such period generally ranges from 6 to 12 months since the date of completion of the project. During the defects liability period, we are required to maintain our work and make good any defect or be responsible for the rectification cost or damages suffered by our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any request from our customers for making good of defect or imperfection in our works.

For sizeable projects, our customers generally withhold a portion of contract value as retention money to secure our due performance of the project. Retention money is normally equivalent to 10% of the value of the works done and subject to a maximum of 5% of the total contract sum. It is usually done by way of holding up retention money from each progress payment. Normally, half of the retention money is released upon the completion of the projects and the remaining half is released upon expiry of the defects liability period.

BUSINESS

Seasonality

Our Directors believe that our business is not subject to any significant seasonality.

PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Our customers are main contractors in Hong Kong while we act as their subcontractor. The table below sets out our revenue during the Track Record Period by types of foundation works:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2016		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)										
Foundation works										
– ELS and pile cap construction works	425,463	91.1	572,062	92.6	565,489	95.3	262,705	95.7	439,099	96.0
– Disposal of excavated materials from piling	35,209	7.5	38,783	6.3	26,115	4.4	10,943	4.0	15,045	3.3
– Ancillary services	6,630	1.4	7,001	1.1	1,968	0.3	889	0.3	3,218	0.7
Total	467,302	100	617,846	100	593,572	100	274,537	100	457,362	100

The table below sets out the number of projects and the nature of projects (i.e. private/public sector) with revenue contribution to us during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
Private sector projects	35	27	25	18	34
Public sector projects	8	7	8	6	8
Total number of projects with revenue contribution	43	34	33	24	42

BUSINESS

The table below sets out the number of projects with revenue contribution during the Track Record Period, with breakdown of projects brought forward from the prior year and new projects awarded to us during the relevant year.

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Projects brought forward from prior year	22	22	17	16
New projects awarded to us during the year/period	21	12	16	26
	<u>43</u>	<u>34</u>	<u>33</u>	<u>42</u>

For each of the FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, there were, respectively, 43, 34, 33 and 42 projects which contributed approximately HK\$467.3 million, HK\$617.8 million, HK\$593.6 million and HK\$457.4 million, respectively to our revenue. Set out below is a breakdown of such projects based on their respective revenue recognised during the Track Record Period.

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	<i>No. of projects</i>	<i>No. of projects</i> <i>(Note 1)</i>	<i>No. of projects</i> <i>(Note 2)</i>	<i>No. of projects</i> <i>(Note 3)</i>
Revenue recognised				
HK\$10 million or above	9	13	16	14
HK\$1 million to below HK\$10 million	17	10	11	13
Below HK\$1 million	17	11	6	15
	<u>43</u>	<u>34</u>	<u>33</u>	<u>42</u>

Notes:

1. Out of the 34 projects which contributed revenue to the FY2015/16, 22 projects also contributed revenue to the FY2014/15.
2. Out of the 33 projects which contributed revenue to the FY2016/17, 8 projects and 17 projects also contributed revenue to the FY2014/15 and FY2015/16, respectively.
3. Out of the 42 projects which contributed revenue to the six months ended 30 September 2017, 4 projects, 7 projects and 16 projects also contributed revenue to the FY2014/2015, FY2015/16 and FY2016/17, respectively.

BUSINESS

The following tables set out the nature of our five largest foundation projects for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 in terms of revenue contribution:

FY2014/15

Rank	Date of commencement	Actual/ Expected date of completion <i>(Note 2)</i>	Customer	Total contract sum <i>(Note 3)</i> <i>HK\$'000</i>	Private/ Public sector	Types of work(s)	Amount of revenue recognised for the year <i>HK\$'000</i>	% of total revenue of our Group for the year
1	September 2014	July 2016	Customer Tysan <i>(Note 1)</i>	159,200	Private	ELS and pile cap construction works	89,079	19.1
2	May 2013	October 2014	Customer Tysan <i>(Note 1)</i>	102,572	Public	ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services	85,181	18.2
3	June 2014	June 2015	Customer Tysan <i>(Note 1)</i>	95,847	Private	ELS and pile cap construction works, disposal of excavated materials from piling	44,690	9.6
4	October 2013	December 2015	Customer Tysan <i>(Note 1)</i>	102,227	Private	ELS and pile cap construction works	42,434	9.1
5	August 2013	October 2014	Customer Tysan <i>(Note 1)</i>	40,831	Private	ELS and pile cap construction works, disposal of excavated materials from piling	39,170	8.4

BUSINESS

FY2015/16

Rank	Date of commencement	Actual/ Expected date of completion <i>(Note 2)</i>	Customer	Total contract sum <i>(Note 3)</i> <i>HK\$'000</i>	Private/ Public sector	Types of work(s)	Amount of revenue recognised for the year <i>HK\$'000</i>	% of total revenue of our Group for the year
1	October 2014	July 2016	Customer Tysan <i>(Note 1)</i>	178,432	Public	ELS and pile cap construction works, disposal of excavated materials from piling	104,377	16.9
2	June 2014	April 2016	Customer Tysan <i>(Note 1)</i>	87,085	Public	ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services	73,790	11.9
3	September 2014	July 2016	Customer Tysan <i>(Note 1)</i>	159,200	Private	ELS and pile cap construction works	66,473	10.8
4	June 2014	June 2015	Customer Tysan <i>(Note 1)</i>	95,847	Private	ELS and pile cap construction works, disposal of excavated materials from piling	50,962	8.2
5	October 2013	December 2015	Customer Tysan <i>(Note 1)</i>	102,227	Private	ELS and pile cap construction works	49,955	8.1

BUSINESS

FY2016/17

Rank	Date of commencement	Actual/ Expected date of completion <i>(Note 2)</i>	Customer	Total contract sum <i>(Note 3)</i> <i>HK\$'000</i>	Private/ Public sector	Types of work(s)	Amount of revenue recognised for the year <i>HK\$'000</i>	% of total revenue of our Group for the year
1	April 2015	October 2017	Customer Tysan <i>(Note 1)</i>	121,790	Public	ELS and pile cap construction works, disposal of excavated materials from piling	80,368	13.5
2	April 2015	August 2018	Customer Tysan <i>(Note 1)</i>	170,427	Private	ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services	77,218	13.0
3	October 2014	July 2016	Customer Tysan <i>(Note 1)</i>	178,432	Public	ELS and pile cap construction works, disposal of excavated materials from piling	71,107	12.0
4	September 2016	July 2018	Customer Tysan <i>(Note 1)</i>	141,657	Private	ELS and pile cap construction works	56,753	9.6
5	June 2016	October 2017	Hien Lee Engineering Company Limited <i>(Note 1)</i>	78,419	Private	ELS and pile cap construction works	50,990	8.6

BUSINESS

For the six months ended 30 September 2017

Rank	Date of commencement	Actual/ Expected date of completion <i>(Note 2)</i>	Customer	Total contract sum <i>(Note 3)</i> <i>HK\$'000</i>	Private/ Public sector	Types of work(s)	Amount of revenue recognised for the period <i>HK\$'000</i>	% of total revenue of our Group for the period
1	September 2016	July 2018	Customer Tysan <i>(Note 1)</i>	141,657	Private	ELS and pile cap construction works	59,212	12.9
2	April 2015	August 2018	Customer Tysan <i>(Note 1)</i>	170,427	Private	ELS and pile cap construction works, disposal of excavated piling and ancillary service	56,102	12.3
3	January 2016	February 2018	Customer Tysan <i>(Note 1)</i>	91,610	Private	ELS and pile cap construction works and disposal of excavated piling	42,908	9.4
4	September 2015	December 2017	Customer Tysan <i>(Note 1)</i>	59,178	Private	ELS and pile cap construction works and disposal of excavated piling	33,042	7.2
5	July 2017	April 2018	Hien Lee Engineering Limited <i>(Note 1)</i>	63,182	Private	ELS and pile cap construction works	31,672	6.9

Notes:

1. This is one of our five largest customers during the Track Record Period.
2. Where applicable, future completion dates represent our management's best estimates according to the expected completion dates specified in the relevant contracts (if any), the extension period granted by customers (if any), and the actual work schedule up to the Latest Practicable Date.
3. Total contract sum shown in the above table represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contract, subsequent adjustments due to variation orders (see the paragraph headed "Our principal business and business model – Operation flow – Variation orders (if any)" above in this section) and other updated information provided by the relevant customer.

BUSINESS

Backlog

As at 31 March 2015, 2016 and 2017 and 30 September 2017 and the Latest Practicable Date, we had a total of 22, 17, 19, 25 and 25 projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with revenue derived or expected to be derived from such projects as follows:

	As at 31 March 2015 <i>(Note 1)</i>	As at 31 March 2016 <i>(Note 2)</i>	As at 31 March 2017 <i>(Note 3)</i>	As at 30 September 2017 <i>(Note 4)</i>	As at the Latest Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
No. of projects in our backlog	22	17	19	25	25
Total estimated contract sum in respect of such projects ^{<i>(Note 5)</i>}	990,813	1,160,098	1,121,774	1,217,876	1,217,876
Total revenue attributable to such projects:					
– recognised on or before the date indicated	281,781	492,937	367,857	680,406	807,567
– yet to be recognised as at the date indicated	709,032	667,161	753,917	537,470	410,309
	<u>990,813</u>	<u>1,160,098</u>	<u>1,121,774</u>	<u>1,217,876</u>	<u>1,217,876</u>

Notes:

- Out of the 22 projects in our backlog as at 31 March 2015, 18 projects commenced in FY2014/15. The total contract sum of such projects was approximately HK\$740.3 million.
- Out of the 17 projects in our backlog as at 31 March 2016, 9 projects commenced in FY2015/16. The total contract sum of such projects was approximately HK\$574.9 million.
- Out of the 19 projects in our backlog as at 31 March 2017, 11 projects commenced in FY2016/17. The total contract sum of such projects was approximately HK\$582.5 million.
- Out of the 25 projects in our backlog as at 30 September 2017, 15 projects commenced in the six months ended 30 September 2017. The total contract sum of such projects was approximately HK\$509.0 million.
- The total contract sum in respect of each contract represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation orders (see the paragraph headed “Our principal business and business model – Operation flow – Variation orders (if any)” above in this section) and other updated information provided by the relevant customer.

BUSINESS

PROJECTS ON HAND

The table below sets forth a full list of our projects on hand as at 1 October 2017 as well as projects that have been awarded to us from 1 October 2017 and up to the Latest Practicable Date:

Project	Customer	Types of work	Actual/ expected commencement date <i>(Note 2)</i>	Actual/ expected completion date <i>(Note 3)</i>	Total contract sum <i>(Note 4)</i> HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue expected to be recognised for the remaining six months for FY2017/18 HK\$'000	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
1	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	January 2017	February 2018	85,584	FY2016/17: 10,345 For the six months ended 30 September 2017: 42,454	32,785	-
		Disposal of excavated materials from piling	January 2016	July 2017	6,026	FY2015/16: 364 FY2016/17: 5,208 For the six months ended 30 September 2017: 454	-	-
2	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	April 2016	August 2018	165,797	FY2016/17: 77,025 For the six months ended 30 September 2017: 56,102	24,200	8,470
		Disposal of excavated materials from piling	April 2015	April 2016	2,855	FY2015/16: 2,829 FY2016/17: 26	-	-
		Ancillary services	November 2015	June 2016	1,775	FY2015/16: 1,608 FY2016/17: 167	-	-
3	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	April 2017	September 2018	149,200	For the six months ended 30 September 2017: 1,599	20,637	126,964
		Disposal of excavated materials from piling	June 2016	December 2017	12,628	FY2016/17: 5,864 For the six months ended 30 September 2017: 6,764	-	-

BUSINESS

Project	Customer	Types of work	Actual/ expected commencement date <i>(Note 2)</i>	Actual/ expected completion date <i>(Note 3)</i>	Total contract sum <i>(Note 4)</i> <i>HK\$'000</i>	Amount of revenue recognised during the Track Record Period <i>HK\$'000</i>	Amount of revenue	Amount of revenue expected to be recognised for FY2018/19 <i>HK\$'000</i>
							expected to be recognised for the remaining six months for FY2017/18 <i>HK\$'000</i>	
4	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	September 2016	July 2018	141,657	FY2016/17: 56,753 For the six months ended 30 September 2017: 59,212	7,443	18,249
5	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	April 2017	September 2018	107,678	For the six months ended 30 September 2017: 20,066	26,412	61,200
		Disposal of excavated materials from piling	October 2016	February 2017	1,301	FY2016/17: 1,301	–	–
6	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	November 2016	December 2017	55,471	FY2016/17: 17,831 For the six months ended 30 September 2017: 33,042	4,598	–
		Disposal of excavated materials from piling	September 2015	November 2016	3,707	FY2015/16: 1,331 FY2016/17: 2,376	–	–
7	Customer Tysan <i>(Note 1)</i>	ELS and pile cap construction works	April 2017	February 2018	34,313	For the six months ended 30 September 2017: 2,456	31,857	–
		Disposal of excavated materials from piling	July 2016	May 2017	1,953	FY2016/17: 772 For the six months ended 30 September 2017: 1,181	–	–

BUSINESS

Project	Customer	Types of work	Actual/ expected commencement date (Note 2)	Actual/ expected completion date (Note 3)	Total contract sum (Note 4) HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
							expected to be recognised for the remaining six months for FY2017/18 HK\$'000	
8	Customer Tysan (Note 1)	ELS and pile cap construction works	April 2017	December 2017	26,067	For the six months ended 30 September 2017: 18,274	7,793	-
		Disposal of excavated materials from piling	August 2016	June 2017	6,229	FY2016/17: 3,828 For the six months ended 30 September 2017: 2,401	-	-
9	Customer Tysan (Note 1)	ELS and pile cap construction works	November 2016	December 2017	35,393	FY2016/17: 11,972 For the six months ended 30 September 2017: 11,108	12,313	-
		Disposal of excavated materials from piling	November 2015	October 2016	1,558	FY2015/16: 443 FY2016/17: 1,115	-	-
10	Customer Tysan (Note 1)	ELS and pile cap construction works	May 2017	December 2017	16,071	For the six months ended 30 September 2017: 10,066	6,005	-
		Disposal of excavated materials from piling	October 2016	June 2017	203	FY2016/17: 191 For the six months ended 30 September 2017: 12	-	-

BUSINESS

Project	Customer	Types of work	Actual/ expected commencement date (Note 2)	Actual/ expected completion date (Note 3)	Total contract sum (Note 4) HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
							expected to be recognised for the remaining six months for FY2017/18 HK\$'000	
11	Customer Tysan (Note 1)	ELS and pile cap construction works	October 2015	December 2017	131,383	FY2015/16: 26,887 FY2016/17: 80,252 For the six months ended 30 September 2017: 22,028	2,216	-
		Disposal of excavated materials from piling	April 2015	June 2017	2,993	FY2015/16: 2,816 FY2016/17: 116 For the six months ended 30 September 2017: 61	-	-
12	Customer Tysan (Note 1)	ELS and pile cap construction works	April 2017	May 2018	6,543	For the six months ended 30 September 2017: 158	2,128	4,257
13	Customer Tysan (Note 1)	ELS and pile cap construction works	January 2018	March 2018	2,157	-	2,157	-
				Subtotal for Customer Tysan	998,542	FY2015/16: 36,278 FY2016/17: 275,142 For the six months ended 30 September 2017: 287,438	180,544	219,140
14	Hien Lee Engineering Company Limited (Note 1)	ELS and pile cap construction works	July 2017	April 2018	63,182	For the six months ended 30 September 2017: 31,672	26,258	5,252
15	Hien Lee Engineering Company Limited (Note 1)	ELS and pile cap construction works	July 2017	December 2017	10,847	For the six months ended 30 September 2017: 2,836	8,011	-
16	Customer Sunnic & Sunley (Note 1)	ELS and pile cap construction works	July 2017	December 2017	35,175	For the six months ended 30 September 2017: 6,800	28,375	-

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Project	Customer	Types of work	Actual/ expected commencement date <i>(Note 2)</i>	Actual/ expected completion date <i>(Note 3)</i>	Total contract sum <i>(Note 4)</i> HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
							expected to be recognised for the remaining six months for FY2017/18 HK\$'000	
17	Customer Sunnic & Sunley <i>(Note 1)</i>	ELS and pile cap construction works	August 2017	January 2018	19,975	For the six months ended 30 September 2017: 19,010	965	–
18	Customer G <i>(Note 1)</i>	ELS and pile cap construction works	August 2017	January 2018	9,009	For the six months ended 30 September 2017: 5,507	3,502	–
19	Customer G <i>(Note 1)</i>	ELS and pile cap construction works	August 2017	January 2018	10,553	For the six months ended 30 September 2017: 5,026	5,527	–
20	A construction contractor in Hong Kong	ELS and pile cap construction works	June 2017	December 2017	2,487	For the six months ended 30 September 2017: 1,258	1,229	–
21	A construction contractor in Hong Kong	ELS and pile cap construction works	September 2017	January 2018	13,200	For the six months ended 30 September 2017: 4,544	8,656	–
22	Customer Hip Hing & Vibro <i>(Note 1)</i>	Ancillary services	July 2016	December 2017	1,501	FY2016/17: 119 For the six months ended 30 September 2017: 930	452	–
23	Customer Hip Hing & Vibro <i>(Note 1)</i>	Ancillary services	July 2016	December 2017	2,744	FY2016/17: 1,682 For the six months ended 30 September 2017: 591	471	–
24	Customer Hip Hing & Vibro <i>(Note 1)</i>	Ancillary services	May 2017	December 2017	4,724	For the six months ended 30 September 2017: 1,573	3,151	–

BUSINESS

Project	Customer	Types of work	Actual/ expected commencement date (Note 2)	Actual/ expected completion date (Note 3)	Total contract sum (Note 4) HK\$'000	Amount of revenue recognised during the Track Record Period HK\$'000	Amount of revenue expected to be recognised for the remaining six months for FY2017/18 HK\$'000	Amount of revenue expected to be recognised for FY2018/19 HK\$'000
25	A construction contractor with the shares of its holding company listed on the Main Board of the Stock Exchange	ELS and pile cap construction works	April 2018	August 2018	45,937	-	-	45,937
Subtotal for customers other than Customer Tysan					219,334	FY2016/17: 1,801 For the six months ended 30 September 2017: 79,747	86,597	51,189
Total for all customers					1,217,876	FY2015/16: 36,278 FY2016/17: 276,943 For the six months ended 30 September 2017: 367,185	267,141	270,329

Notes:

1. This is one of our five largest customers during the Track Record Period.
2. Expected commencement dates are based on our management's best estimates according to the expected commencement date specified in the relevant contract (if any) and any dates which are mutually agreed by us and our customers.
3. Expected completion dates are based on our management's best estimation. In making the estimation, our management considers the expected completion date specified in the relevant contract (if any), the extension period granted by our customers (if any) and the actual work schedule up to the Latest Practicable Date.
4. The total contract sum in respect of each contract represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation orders (see the paragraph headed "Our principal business and business model – Operation flow – Variation orders (if any)" above in this section) and other updated information provided by the relevant customer.

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LICENCES AND QUALIFICATIONS

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all material licences, permits and registrations required for carrying on our business activities.

Specific to our business, we have registered under the Subcontractor Registration Scheme of the Construction Industry Council, details of which are summarised as follows:

Registration	Granted by	Granted to	Date of upcoming expiry
Subcontractor Registration Scheme under structural and civil trade group: concreting formwork, reinforcement bar fixing, concreting and general civil works (earthwork)	Construction Industry Council	Kit Kee Engineering	16 March 2023

The Subcontractor Registration Scheme was introduced by the Construction Industry Council in order to build up a pool of capable and responsible subcontractors with skills and strong professional ethics. The registration and the renewal of registration under the Subcontractor Registration Scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration under the Subcontractor Registration Scheme. Renewal is required every two years. We successfully renewed our aforementioned registration since the registration was first obtained. Our Directors do not foresee any material legal impediment in the renewal of the aforesaid registration by us.

Although registration under the Subcontractor Registration Scheme is voluntary, such registration is required for subcontractors to participate in public sector projects commissioned by certain Government authorities and statutory bodies, such as the Housing Authority. Kit Kee Engineering obtained such registration so as to broaden our potential customer base and to enable us to participate in public sector projects commissioned by the Housing Authority and other relevant Government authorities and statutory bodies.

Kit Kee Engineering is not a registered general contractor or a registered specialist contractor under the Buildings Ordinance. As advised by the Legal Counsel, for any works that our Group is engaged as a subcontractor, if there is a registered general contractor and/or specialist contractor under the Buildings Ordinance, our Group itself does not have to be such registered contractor or to obtain any requisite licences, permits or approval for its operation and business except the business registration. Our Directors confirm that in respect of each project undertaken by us during the Track Record Period and up to the Latest Practicable Date, we were engaged as a subcontractor and there was a registered general contractor and/or specialist contractor under the Buildings Ordinance (typically our customer) to supervise the works.

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CERTIFICATIONS AND AWARDS

Certification	Description	Expiry
ISO 9001:2015	Certification of quality management system	21 January 2020
ISO 14001:2015	Certification of environmental management system	21 January 2020
OHSAS 18001:2007	Certification of occupational health and safety management system	21 January 2020

We have received various awards and recognitions during our operating history, which include:

Award/Recognition	Description	Awarding organisation	Year of grant
Quality Public Housing Construction and Maintenance Awards 2005	Award for outstanding piling project of foundation for redevelopment	Housing Authority	2005
Quality Public Housing Construction and Maintenance Awards 2011	Award for outstanding piling project (new works projects) of foundation for public rental housing developments	Housing Authority	2011
The Best Safety Sub Contractor	Award for best safety subcontractor	Customer Hip Hing & Vibro	2012
Most Outstanding Subcontractor Award 2012	Award for outstanding achievement in safety and environmental management	Customer Hip Hing & Vibro	2013
Low Incident Achievement Award 2013 (Silver award)	Award for low incident rate under the subcontractor category	Customer Tysan	2013
Certificate of Commendation	Appreciation of safety contribution to two public housing construction projects	Customer Tysan	2014

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Award/Recognition	Description	Awarding organisation	Year of grant
Quality Public Housing Construction & Maintenance Awards 2014	Award for outstanding piling project (new works projects) of the foundation for public rental housing developments	Housing Authority	2014
Letter of appreciation	Appreciation of contracted work of “Installation of the ELS and Pile Cap Works”	Customer Tysan	2014, 2015 and 2016
Letter of appreciation	Appreciation of quality work done in limited time frame	Customer F	2016

CUSTOMERS

Characteristics of our customers

Our customers are primarily main contractors carrying out various types of commercial and residential building projects in Hong Kong. During the Track Record Period, all of our customers were located in Hong Kong and all of our revenue were denominated in HK dollars.

Principal terms of engagement

Our customers generally engage us for a specific project instead of entering into long-term agreements with us. In general, contracts entered into between us and our customers contain terms and conditions relating to the contract price, contract period, the scope of work and the payment terms, details of which are summarised below:

Contractual period	:	Contractual period refers to the period within which the project has to be completed.
Scope of works	:	These are terms that identify the types and scope of work in detail which we were engaged for.
Estimated contract sum	:	As our projects are based on remeasurement contracts, the final contract sum will be determined based on the agreed unit rates and the actual quantities of work done. Please refer to below “Bill of quantities” for details. The contract contains an estimated contract sum, which is determined by the agreed unit rates of each item and the estimated total quantities of items of works set out in the bill of quantities.

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- Bill of quantities : The bill of quantities generally contains descriptions of the types of works, specifications and estimated quantities of works to be carried out, and the unit rates for each type of works under the project. When the works are completed, our customers will measure the actual quantities of works done on site and our Group will be paid based on the actual works done in accordance with the bill of quantities.
- Construction materials procurement : In some of our projects, the contract includes a clause stating that our customer may procure certain specified construction materials for and on behalf of us at prices agreed and specified in the contract. In this situation, if we choose to purchase construction materials from the customer, we would regard such customer as our supplier of the relevant construction materials, further details of which are discussed in the paragraph headed “Customers who were also our suppliers” in this section.
- Retention money : When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally equivalent to 10% of the value of the works done and subject to a maximum of 5% of the total contract sum. Normally, half of the retention money is released upon the completion of the projects and the remaining half is released upon expiry of the defects liability period.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, our retention receivables amounted to approximately HK\$25.6 million, HK\$30.1 million, HK\$38.2 million and HK\$56.2 million, respectively.

Please refer to the section headed “Financial information – Discussion on selected balance sheet items – Trade and other receivables” in this prospectus for a further discussion and analysis regarding our trade and other receivables.

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Liquidated damages : Some of our contracts include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts and/or extended time granted by the customers (if any). Liquidated damages are typically calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on a daily basis.

During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us.

Defects liability period : Some of our customers may require a defects liability period which usually ranges from 6 to 12 months after our completion of the contract works. During the defects liability period, if any defects are identified, we will be required to either make good the defects or be responsible for the rectification cost or damages suffered by our customers.

Insurance : The contractors' all risk insurance is either provided by our customer or the main contractor of the project. All other insurances in relation to their employees or public liability are to be provided by our customers with our Group as insured members and beneficiary.

Payment : Invoices would be issued monthly by us setting out works done under the contract during the period.

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Top customers

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 89.4%, 94.9%, 80.0% and 68.3%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 100.0%, 99.8%, 99.6% and 98.0%, respectively. Set out below is a breakdown of our revenue by major customers during the Track Record Period and their respective background information:

FY2014/15

Rank	Customer (Note)	Principal business activities	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer		
					HK\$'000	%	
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	19	28 days; by cheque	417,594	89.4	
2	Hien Lee Engineering Company Limited	A construction contractor in Hong Kong	5	30 days; by cheque	23,230	5.0	
3	Customer Hip Hing & Vibro	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include piling, ground investigation, construction and civil engineering in Hong Kong	15	45 days; by cheque	15,488	3.3	
4	Customer Sunnic & Sunley	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include general contracting, building and civil engineering and rental of machinery in Hong Kong	17	30-45 days; by cheque	10,990	2.3	
					Four largest customers combined	467,302	100.0
					Total revenue	467,302	100.0

Note: We provided services to four customers for FY2014/15.

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FY2015/16

Rank	Customer	Principal business activities	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer		
					HK\$'000	%	
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	19	28 days; by cheque	586,588	94.9	
2	Customer Sunnic & Sunley	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include general contracting, building and civil engineering and rental of machinery in Hong Kong	17	30-45 days; by cheque	11,556	1.9	
3	Customer Hip Hing & Vibro	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include piling, ground investigation, construction and civil engineering in Hong Kong	15	45 days; by cheque	9,039	1.5	
4	Hien Lee Engineering Company Limited	A construction contractor in Hong Kong	5	30 days; by cheque	4,693	0.8	
5	Customer E	Subsidiary of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include provision of foundation engineering works and project management business in Hong Kong	2	30 days; by cheque	4,627	0.7	
					Five largest customers combined	616,503	99.8
					Other	1,343	0.2
					Total revenue	617,846	100.0

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FY2016/17

Rank	Customer	Principal business activities	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer		
					HK\$'000	%	
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	19	28 days; by cheque	474,783	80.0	
2	Hien Lee Engineering Company Limited	A construction contractor in Hong Kong	5	30 days; by cheque	50,990	8.6	
3	Customer E	Subsidiary of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiary include provision of foundation engineering works and project management business in Hong Kong	2	30 days; by cheque	44,671	7.5	
4	Customer F	A construction contractor in Hong Kong	2	30 days; by cheque	17,681	3.0	
5	Customer G	Subsidiary of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiary include construction and engineering in Hong Kong	1	30 days; by cheque	2,769	0.5	
					Five largest customers combined	590,894	99.6
					Other	2,678	0.4
					Total revenue	593,572	100.0

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For the six months ended 30 September 2017

Rank	Customer	Principal business activities	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer		
					HK\$'000	%	
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	19	28 days; by cheque	312,345	68.3	
2	Hien Lee Engineering Company Limited	A construction contractor in Hong Kong	5	30 days; by cheque	63,235	13.8	
3	Customer Sunnic & Sunley	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiary include general contracting, building and civil engineering and rental of machinery in Hong Kong	17	30-45 days; by cheque	30,218	6.6	
4	Customer New Concepts	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include general building and foundation works and sales of construction materials in Hong Kong	less than 1	45 days; by cheque	29,777	6.5	
5	Customer G	Subsidiary of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiary include construction and engineering in Hong Kong	1	30 days; by cheque	12,892	2.8	
					Five largest customers combined	448,467	98.0
					Other	8,895	2.0
					Total revenue	457,362	100

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As at the Latest Practicable Date, none of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company had any interest in any of the five largest customers of our Group during the Track Record Period.

Customer concentration

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 100.0%, 99.8%, 99.6% and 98.0%, respectively. In particular, the percentage of our total revenue attributable to our largest customer, Customer Tysan, amounted to approximately 89.4%, 94.9%, 80.0% and 68.3%, respectively, for the same periods. Our Directors consider, as supported by the Ipsos Report, that such customer concentration is the industry norm of the foundation industry in Hong Kong, and our Group's business model is sustainable despite such customer concentration for the following reasons:

- (i) It is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, our major customers during the Track Record Period are reputable main contractors in Hong Kong. For instance, Customer Tysan was the largest foundation contractor in Hong Kong in 2016. According to the Ipsos Report, owing to the market landscape of the foundation industry in Hong Kong, the potential customer base of our Group which would engage us for sizable projects is relatively limited. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us.
- (ii) We are an active player in the foundation subcontractor industry. During the Track Record Period, we experienced a strong demand for our services from a range of customers including tender requests from four out of the five largest foundation contractors in Hong Kong in 2016 as per the Ipsos Report, as evidenced by the number of invitations for fee quotation and tenders that we received. During each of FY2014/15, FY2015/16 and FY2016/17, we received over 180 invitations for tender and quotation and we responded to and submitted tenders and quotations for over 80% of these invitations. Our Directors consider that our active participation in our potential customers' tendering process may reinforce our presence in the industry from our potential customers' perspectives. Our Directors believe that in the event that our project engagement from any of our major customers substantially reduced, our Group would have the capacity to handle projects from other customers in view of the expected growth of demand for foundation services in Hong Kong as per the Ipsos Report. For details, please refer to the section headed "Industry overview – Foundation industry overview" in this prospectus.
- (iii) Except for Customer Tysan (which remained as our top customer for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 in terms of revenue contribution as further discussed in the paragraph headed "Our

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relationship with Customer Tysan” in this section), the ranking and combination of our five largest customers for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 during the Track Record Period were different. This suggests that we did not place undue reliance on any particular one of them throughout the Track Record Period for revenue generation.

- (iv) Some of our major customers (including Customer Tysan, Customer Hip Hing & Vibro, and Customer Sunnic & Sunley) had long-standing business relationships with us for over 15 years. Our management team would discuss with our major customers to understand their project plans for the coming year and endeavor to allocate resources, as far as allowed, and accommodate their demands for our services. Hence, we have been able to capture business opportunities from our major customers when they arise.
- (v) During the Track Record Period, we strived to obtain projects from customers other than Customer Tysan. During the Track Record Period, over 50% of the total invitations for tender and fee quotation received by us were from customers other than Customer Tysan and we responded to and submitted tenders and quotations to over 80% of these invitations. For FY2016/17, revenue contributed by customers other than Customer Tysan amounted to HK\$118.8 million, representing an increase by approximately 279.6% or approximately HK\$87.5 million, compared with that of the FY2015/16. Our revenue contribution from Customer Tysan decreased from 94.9% in FY2015/16 to 80.0% in FY2016/17 and further decreased to 68.3% for the six months ended 30 September 2017. Our business relationships with major customers, the industry experience of our management and our proven track record as a quality subcontractor in handling foundation works are essential to our major customers to ensure that their projects are executed on time and in accordance with their requirements. With our presence in the foundation subcontracting market, our Directors believe that our Group is able to extend our services to other main contractors with our capabilities. We plan to further develop our client base and mitigate the risk of reliance on Customer Tysan. Please also refer to the paragraph headed “Our relationship with Customer Tysan” below for further details.

We plan to further develop our client base and reduce the reliance on our major customers. As such, one of our business strategies is to increase our marketing effort. Please refer to the paragraph headed “Reinforcing our sales and our marketing effort” in this section for further details.

Our relationship with Customer Tysan

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, revenue from Customer Tysan amounted to approximately HK\$417.6 million, HK\$586.6 million, HK\$474.8 million and HK\$312.3 million, representing approximately 89.4%, 94.9%, 80.0% and 68.3% of our total revenue for the corresponding periods, respectively.

Background of Customer Tysan

Customer Tysan refers collectively to Tysan Foundation Limited and Tysan Foundation Geotechnical Limited, both of which are subsidiaries of Hong Kong International Construction Investment Management Group Co., Limited (previously known as Tysan Holdings Limited) (stock code: 687) (“**HKICIM**”, together with its subsidiaries, “**HKICIM Group**”), the shares of which are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$8.4 billion as at the Latest Practicable Date. According to the latest annual report of HKICIM, the principal activities of its subsidiaries include (i) foundation piling and site investigation, (ii) property development and (iii) property investment and management. Based on the annual reports of HKICIM, its turnovers for the foundation piling segment accounted for over 65% of its group’s turnover for each of FY2014/15, FY2015/16 and the 9-month period ended 31 December 2016.

Business relationship with Customer Tysan

We have long-standing business relationship with Customer Tysan since our first contract in 1998. During the Track Record Period, Customer Tysan awarded 31 projects to us through tendering, each with an original estimated contract sum of over HK\$10 million. To the best of our Directors’ knowledge and based on information obtained by the Sponsor during its independent due diligence interview with Customer Tysan, approximately 80%–90% of Customer Tysan’s ELS and pile cap construction works were subcontracted to our Group during the Track Record Period. Customer Tysan has also supplied construction materials to our Group under contra-charge arrangement during the Track Record Period. For further details, please refer to the paragraph headed “Customers – Customers who were also our suppliers” in this section. Due to such long-standing relationship, we have therefore been inclined to accommodate their demands for our services as far as our resources allowed instead of turning down their requests.

HKICIM Group is one of the largest foundation contractors in Hong Kong according to the Ipsos Report. According to the latest annual report of HKICIM, it has a considerable number of ongoing construction projects and it would continue with its existing businesses which include property development, foundation piling and site investigation in Hong Kong. The demand for our foundation works services from Customer Tysan remained at a relatively high level during the Track Record Period. As such, Customer Tysan remained as our largest customer for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017. Out of our 25 ongoing projects as at the Latest Practicable Date, 13 projects were awarded by Customer Tysan with an aggregate contract sum of approximately HK\$998.5 million.

To the best of our Directors’ knowledge, the subcontractor selection process of Customer Tysan begins when Customer Tysan prepares its own tender submissions for target projects as a main contractor. Customer Tysan would invite subcontractors to submit tender for those target projects. For each project, such invitations would normally be sent to about three subcontractors for ELS and pile cap construction works. Customer Tysan would then evaluate the tender submissions from the invited subcontractors, and prepare its own tender submission for the main contract taking into account the invited subcontractors’ tender submissions. Except for certain

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project employers (such as the Housing Authority) which required Customer Tysan to name its subcontractors in its tender submissions, Customer Tysan would generally not be required to name its subcontractors in the main contract tender submissions during the tendering process.

According to the circular of HKICIM dated 15 August 2017, HKICIM Group has put in place a set of internal procedures for selecting subcontractors in order to ensure the quality of the subcontractors selected by HKICIM Group. For instance, in respect of building and construction works, a quantity surveyor of HKICIM Group would generally seek tender from at least three subcontractors from the approved list of subcontractors maintained by HKICIM Group, and the quantity surveyor manager would oversee the tender process. The quantity surveyor and the quantity surveyor manager would prepare a tender analysis report by collating all documentation including tender enquiry, tender submitted and outcome of any discussion and negotiation. The quantity surveyor manager and the quantity surveyor would select a preferred subcontractor based on factors such as quotation, ability to complete the works according to the construction programme, ability to meet the required specifications, quality, environmental, health and safety requirements and the capability and performance demonstrated by the tenderer. The management including a director of Customer Tysan would then select the subcontractor by approving the tender analysis report. Generally, once Customer Tysan is awarded a project as the main contractor, it will commence the implementation of the project which includes the engagement of subcontractors.

According to Ipsos Report, foundation contractors tend to outsource their projects to subcontractors that have proven high-quality work and on-time project completion track records, especially the subcontractors whom they have previously collaborated with. In addition, maintaining good customer relationships increases a foundation contractor's opportunities to be invited to, and to win project tenders. Our Directors consider that a major player in the foundation construction industry in Hong Kong would normally have substantial demands for foundation works services from subcontractors which are capable of providing reliable and quality services and with which it has a long-standing relationship.

According to the Ipsos Report, the foundation work industry is dominated by a few players whereas Customer Tysan is the top market player with a market share of approximately 13.6% in the year 2016. Our Directors believe that our relationship with Customer Tysan could enhance our project references through building a positive reputation in the industry.

Recent changes in ownership and management of HKICIM

Our Directors noted from the recent public disclosures of HKICIM that there had been certain changes in the ownership and management of HKICIM since 2016. For instance, in July 2017, HKICIM announced a change in the composition of its board of directors and its chief executive officer.

Our Directors are of the view that the business relationship between the Group and Customer Tysan did not and will not be materially or adversely affected by the changes in the ownership and management of HKICIM. To the best of our Directors' knowledge and belief and

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as further reflected by HKICIM's public disclosures, there has been no material changes in the senior management of Customer Tysan's foundation division. For instance, our Directors noted that certain most senior personnel who have been directly responsible for overseeing the business transactions between our Group and Customer Tysan would continue to retain largely the same roles and responsibilities in the management of HKICIM's foundation division according to HKICIM's announcement in July 2017.

Furthermore, our Directors believe that apart from business relationship, a subcontractor's quality, punctuality and reliability of works are also significant factors for Customer Tysan when evaluating tender submissions. The Ipsos Report also states that foundation contractors tend to outsource their projects to subcontractors that have proven high-quality work and on-time project completion track records, especially subcontractors whom they have previously collaborated with. Given our Group's proven track record of reliable services provided to Customer Tysan for over 19 years since 1998, our Directors believe that our Group is well positioned to compete for available tenders from Customer Tysan in the future regardless of the human relationship factor.

Based on the above, our Directors are of the view that the changes in the ownership and board composition of HKICIM did not and will not cause any material disruption to the business relationship between our Group and Customer Tysan.

Contractual agreement with Customer Tysan

Consistent with our arrangements with other customers, we entered into construction contracts with Customer Tysan on a project-by-project basis. Our agreements with Customer Tysan generally contain the following key terms:

- (i) Bill of quantities which set out the nature of work, such as the approximate site area for carrying out ELS works, the specifications of machines to be provided by our Group, the agreed unit rates and the estimated quantities of each item of works to be consumed or deployed in the project;
- (ii) Estimated contract sum based on the bill of quantities, payment terms and limit of retention money. Based on the amount of work completed, we make progress payment application, which is normally on a monthly basis, to Customer Tysan which sets out the amount of work done and the corresponding value of such work done. The application is then subject to examination by the authorised personnel of Customer Tysan and Customer Tysan would issue a certification based on such examination approving the amount of works eligible for payment under the application. Settlement of payment is usually made by cheque within 30 days from our application;
- (iii) Insurance arrangement that Customer Tysan shall effect and maintain in force the insurance in the joint names of Customer Tysan and its subcontractors which included our Group in respect of damages and compensation in respect of accident or injury of any worker in connection with the project works, and works and third party insurances

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(where the phrase “in the joint name of Customer Tysan and its subcontractors” (as per the wordings of the relevant insurance policies and our agreements with Customer Tysan) means, in substance, that Customer Tysan shall be responsible for taking out insurance policy covering its liabilities as well as the liabilities of all its subcontractors, including our Group); whereas our Group shall maintain insurance in relation to our plant and machinery. In Hong Kong, the main contractor of a construction project would normally take out insurance policy covering its liabilities as well as the liabilities of all its subcontractors under the Employees’ Compensation Ordinance. Our Directors consider, as supported by the Ipsos Report, that such insurance arrangement is the industry norm of the foundation industry in Hong Kong.

Our Directors confirm that (i) we have been providing foundation related services to Customer Tysan every year consecutively since our contract in 1998; and (ii) we do not have any material contractual disagreement with Customer Tysan.

Sustainability of our business

Our Directors consider that our business prospects and sustainability of our business would not be affected by the substantial revenue contribution from Customer Tysan to us during the Track Record Period based on the following factors:

1. Transferability of our extensive experience in the foundation work industry

We have been providing foundation works services in Hong Kong for over 20 years. Our Directors believe that our established operating history and reputation with a wide range of project references would assist our Group in securing projects from different customers. Over the years, we served customers from both the public and private sectors, and gained awards and recognitions from customers from both sectors. For details, please refer to the paragraph headed “Certifications and awards” in this section. We believe we have earned a good reputation in the foundation works industry, established a stable relationship and possessed a broad range of experiences which enable us to perform foundation works of different scales and complexities.

Furthermore, our Directors consider that we differentiate ourselves from other competitors through our technical experiences and possession of our fleet of machinery. According to the Ipsos Report, sufficient machinery and manpower expertise are important for foundation contractors to be engaged in specialised complex projects and be able to tender for different kinds of foundation works. The availability of our machinery and our manpower resources enable us to enjoy greater flexibilities in allocating the resources and satisfying the needs of different projects that require a substantial amount of machinery and initial working capital investment at early stage of the projects.

Our Group has not entered into any long term binding contract with our customers and all contracts entered into by our Group are on a project-by-project basis. There is no contractual term prohibiting us from developing business relationships with new customers.

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If any of our major customers reduces the number of contracts placed with us or terminates its business relationship with us, we believe we would be able to avail ourselves of our spare operational resources to serve other existing customers and new customers in a timely manner through leveraging our established track record and other competitive strengths mentioned in the paragraph headed “Competitive strengths” in this section.

2. Diversification of our customer base and introduction of new customers

We identify and take on new customers from time to time and have no intention to limit ourselves to serving only Customer Tysan. We identify potential new customers by referral and liaise with potential new customers from time to time for relationship building. We actively provide to customers other than Customer Tysan our fee quotations and/or tender submissions upon receipt of their invitations. During the Track Record Period, over 50% of the total invitations for tender and fee quotation received by us were from customers other than Customer Tysan and we responded to and submitted tenders and quotations to over 80% of these invitations. Our Group had relationships with these customers for a period ranging from less than one year to 16 years. With our effort to diversify our customer base, the revenue generated from our customers other than Customer Tysan had increased from approximately HK\$49.7 million for FY2014/15 to HK\$118.8 million for FY2016/17 and further increased to approximately HK\$145.0 million for the six months ended 30 September 2017, which respectively represented approximately 10.6%, 20.0% and 31.7% of our revenue during the respective years/period.

In addition, two out of our five largest customers for FY2016/17, namely Customers F and G, are our new customers with which we started our business relationships during FY2016/17. As a plan to diversify our customer base in the long run, we intend to increase our sales and marketing efforts, such as placing advertisements and sending promotional materials. In addition, our Directors consider that a public listing status on the Main Board will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image as well as attracting potential customers who are more willing to establish business relationship with company which has a well-established internal control system.

3. Leading position of Customer Tysan and positive market prospects in the foundation industry in Hong Kong

According to the Ipsos Report, Customer Tysan has a leading position in the foundation industry. As set out in the section headed “Industry overview” in this prospectus, there are growth opportunities in the Hong Kong foundation industry. In addition, the revenue of the foundation industry is expected to increase from about HK\$23.1 billion in 2017 to about HK\$26.3 billion in 2021, at a CAGR of about 3.3%. Based on our past engagements by Customer Tysan for continuous involvement in its foundation work projects, and having considered the needs of Customer Tysan for foundation subcontracting services, our Directors believe that our Group’s business and growth prospects will remain positive.

4. *Mutual and complementary business relationship with our customers*

Our Directors are of the view that it is mutually beneficial and complementary for both our major customers and us to maintain a close and stable business relationship with each other for the following reasons:

- (i) According to Ipsos Report, foundation contractors tend to outsource their projects to subcontractors that have proven high-quality work and on-time project completion track records, especially the subcontractors whom they have previously collaborated with. The Ipsos Report further states that it is normal practice for main contractors to maintain a long-term relationship and cooperate with specific subcontractors instead of switching between subcontractors frequently in the foundation industry, as main contractors usually have a better understanding of those subcontractors' ability and their proven track records. As such, our Directors believe that our major customers could benefit from our proven track record as a quality subcontractor in handling foundation projects to ensure their projects are executed on time and in accordance with their quality standards.
- (ii) In respect of our relationship with Customer Tysan, Ipsos's research confirmed that our Group has a close business relationship with Customer Tysan in the foundation industry in Hong Kong. As mentioned above, the Ipsos Report states that it is normal practice for main contractors to maintain a long-term relationship and cooperate with specific subcontractors instead of switching between subcontractors frequently in the foundation industry. Our Directors consider that one of the reasons for this is because switching to a subcontractor which is reliable and is able to consistently deliver high quality of works may not be feasible as such type of subcontractors may not have extra capacity and/or incentive to deal with and serve new customers; while switching to an unreliable or substandard subcontractor is not desirable. Given the above as well as our Group's competitive strengths including our track records, machinery fleet, quality and reliability of services, management's experience and long-standing working relationships with customers, our Directors consider that our Group is not easily substituted. Ipsos's research also revealed that our Group's competitive strengths and long-term relationship makes us a reliable subcontractor for Customer Tysan.
- (iii) Our Directors believe that both our major customers (as main contractor) and our Group have developed, to a certain extent, a mutually beneficial relationship. We have established stable relationships with main contractors by assisting the main contractors in their tender preparation process. Main contractors are able to leverage our Group's capabilities in specialised foundation works services to strengthen the competitiveness of their tender proposition.

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- (iv) New customers are usually referred to us by those with knowledge of our services and quality, or through personal and business contacts of our Directors. Therefore, our relationship with Customer Tysan could enhance our project references and chance of obtaining more new customers.

- (v) According to the circular of HKICIM dated 15 August 2017, HKICIM considered, and Ipsos concurs, that although there are sufficient independent third party participants which offer subcontracting services in the market, the quality and capability of such market players vary greatly and the quality of work delivered by subcontractors may have a material impact on the reputation and ability of a main contractor, such as HKICIM Group, to meet project timetables as well as the overall project costs. To ensure the quality of the subcontractors selected by HKICIM Group, in addition to the internal procedures for selecting subcontractors that HKICIM Group has already put in place, HKICIM Group has also maintained an approved list of subcontractors which records, amongst other things, the performance of the subcontractors as evaluated by the project manager in conjunction with other personnel such as quantity surveyor manager at the end of each project. To the best of our Directors' knowledge and as evidenced by the fact that we were engaged by Customer Tysan in various foundation projects during the Track Record Period, our Directors reasonably believed that our Group is one of the subcontractors in Customer Tysan's approved list. Our Directors consider that having a continuous track record with HKICIM Group has proven our complementary business relationship with Customer Tysan.

Further, the abovementioned circular also discussed that a new subcontractor can only be added in the approved list after managers of several departments of HKICIM Group have evaluated, amongst others, the organizational structure, management system, qualification and experience of the personnel, industrial relations and available resources of the subcontractor. Therefore, to the best of our Directors' knowledge, engaging a new subcontractor in Customer Tysan's operation may impose operational and reputational risk on Customer Tysan. Hence, the relationship between our Group and Customer Tysan is mutual and complementary.

5. Expansion of our scale of operation

Our Directors consider that the customer concentration is in part due to the fact that we are approaching our maximum service capacity. The number of projects we are able to undertake hinges on the availability of our machinery and manpower resources.

During the Track Record Period, our machinery and equipment were substantially deployed to different construction sites for our projects. Although our Group is approaching our maximum service capacity, our work has been increasingly recognised by the potential customers and the industry. Due to the limited machinery and equipment on hand, we could be restricted to undertaking a limited number of projects of larger scale and higher

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complexity if our machinery and equipment on hand does not catch up with our business growth. Therefore, historically, we were inclined to undertake projects for a few customers, hence giving rise to the customer concentration during the Track Record Period. If we are able to expand our machinery and equipment and further strengthen our manpower resources, we will be in a better position to expand our service capacity to undertake more projects for different customers which may help our Group to have a more diversified customer base. As set out in the paragraph headed “Business strategies” in this section, we intend to use approximately HK\$53.2 million from the net proceeds from the Share Offer to purchase machinery and equipment for our projects and approximately HK\$17.0 million from the net proceeds to recruit additional staff members to enable our Group to compete for more projects and capture further business opportunities. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

Further information on our top customers

Customer Tysan refers collectively to Tysan Foundation Limited and Tysan Foundation Geotechnical Limited, both of which are subsidiaries of Hong Kong International Construction Investment Management Group Co., Limited (previously known as Tysan Holdings Limited) (stock code: 687), the shares of which are listed on the Main Board of the Stock Exchange. Please refer to the paragraph headed “Background of Customer Tysan” in this section above for further background information of Customer Tysan.

Hien Lee Engineering Company Limited is a construction contractor in Hong Kong. It is a private company incorporated in 1973 in Hong Kong. Its total paid up capital amounted to HK\$6.0 million according to its latest annual return filed in September 2017, which is publicly available from the Companies Registry of the Government. Hien Lee Engineering Company Limited is not a listed company and therefore its operational and financial information is not publicly available.

Customer Hip Hing & Vibro refers collectively to Hip Hing Construction Company Limited, Vibro Construction Company Limited and Vibro (H.K.) Limited, all of which are subsidiaries of NWS Holdings Limited (stock code: 659) (“**NWS Holdings**”), the shares of which are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$56.1 billion as at the Latest Practicable Date. According to the latest annual report of NWS Holdings, the principal activities of its subsidiaries include (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, construction, transport and strategic investments. Based on the annual report of NWS Holdings for the year ended 30 June 2017, its revenue from the construction and transport segment amounted to approximately HK\$20.1 billion and HK\$22.1 billion for the years ended 30 June 2016 and 2017, respectively.

Customer Sunnic & Sunley refers collectively to Sunnic Engineering Limited and Sunley Engineering & Construction Company Limited, both of which are subsidiaries of CNQC International Holdings Limited (previously known as Sunley Holdings Limited) (stock code:

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1240) (“**CNQC Int’l**”), the shares of which are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$4.4 billion as at the Latest Practicable Date. According to the latest annual report of CNQC Int’l, the principal activities of its subsidiaries are mainly (i) the provision of foundation and construction work, loaning of labour and rental of machinery in Hong Kong and Macau; (ii) the provision of construction work, loaning of labour and rental of Machinery in Singapore; and (iii) real estate development in Singapore. Based on the annual report of CNQC Int’l for the year ended 31 December 2016, its revenue from construction contracts income amounted to approximately HK\$4.7 billion and HK\$4.0 billion for the years ended 31 December 2015 and 2016, respectively.

Customer New Concepts refers collectively to New Concepts Foundation Limited and New Concepts Trading Company Limited, all of which are subsidiaries of New Concepts Holdings Limited (stock code: 2221) (“**New Concepts Holdings**”), the shares of which are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$2.4 billion as at the Latest Practicable Date. According to the latest annual report of New Concepts Holdings, the principal activities of its subsidiaries include foundation works, civil engineering construction, general building works, trading of construction materials and environmental protection. Based on the annual report of New Concepts Holdings for the year ended 31 March 2017, its revenue from the foundation works segment amounted to approximately HK\$1,102 million and HK\$609 million for the years ended 31 March 2016 and 2017, respectively.

Customer E is a subsidiary of a company (the “**Customer E Holdco**”) whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$5.2 billion as at the Latest Practicable Date. According to the latest annual report of Customer E Holdco, the principal activities of its subsidiaries are the provision of foundation works and ancillary services and construction wastes handling. Based on the annual report of Customer E Holdco for the year ended 31 March 2017, its revenue from the foundation works and ancillary services segment amounted to approximately HK\$331.0 million and HK\$262.3 million for the years ended 31 March 2016 and 2017, respectively.

Customer F is a construction contractor in Hong Kong. It is a private company incorporated in 2015 in Hong Kong. Its total paid up capital amounted to HK\$10,000 according to its latest annual return filed in October 2017, which is publicly available from the Companies Registry of the Government. Customer F is not a listed company and therefore its operational and financial information is not publicly available.

Customer G is a subsidiary of a company (the “**Customer G Holdco**”) whose shares are listed on the Main Board of the Stock Exchange with a market capitalisation of over HK\$2.8 billion as at the Latest Practicable Date. According to the latest annual report of Customer G Holdco, the principal activities of its subsidiaries are (i) direct investment in equities, bonds, funds, derivative instruments and other financial products; (ii) financial services and others, including but not limited to finance leasing and money lending; and (iii) foundation and substructure construction services. Based on the annual report of Customer G Holdco for the nine-month period from 1 April 2016 to 31 December 2016 (which covered less than a year due to the change of its financial year end date), its revenue from construction contracts amounted to

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approximately HK\$790.8 million and HK\$469.9 million for the year ended 31 March 2016 and for the period from 1 April 2016 to 31 December 2016, respectively.

Customers who were also our suppliers

Contra-charge arrangement with our customers

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

During the Track Record Period, we had contra-charge arrangement with some of our customers. In this context, we regard such customers as our suppliers as well. Such contra-charge arrangement generally included purchase cost of construction materials and other miscellaneous expenses such as the cost of handling waste disposal. Upon our request, or at the discretion of our customers, our customers may, without charging us a mark-up margin or service fee, purchase construction materials such as concrete or pay miscellaneous expenses on our behalf, where we settle such amounts with our customers through contra-charge arrangement. Effectively, the payments due to us from our customers will be settled after netting off such contra-charge amounts. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our contra-charge incurred amounted to approximately HK\$125.0 million, HK\$261.1 million, HK\$152.6 million and HK\$195.6 million, respectively, representing approximately 28.2%, 47.1%, 29.2% and 48.7% of our total direct costs for the same periods. During the Track Record Period, as confirmed by our Directors, we had no material dispute with our customers as regards the contra-charge arrangement and the contra-charge amounts involved. In addition, as we settled the contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials or the payment on miscellaneous expenses were reduced by the same amount. Therefore, the contra-charge arrangement also had no material impact on our cashflow positions during the Track Record Period.

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The following table sets forth the information of our contra-charge arrangements with our customer of which the contra-charges are material to our direct costs during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Customer Tysan								
Revenue derived and approximate % of our total revenue	417,594	89.4	586,588	94.9	474,783	80.0	312,345	68.3
Contra-charge amounts and approximate % of our total direct costs	124,703	28.1	260,109	47.0	152,518	29.2	146,385	36.5
Customer Sunnic & Sunley								
Revenue derived and approximate % of our total revenue	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	30,218	6.6
Contra-charge amounts and approximate % of our total direct costs	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	23,725	5.9
Customer New Concepts								
Revenue derived and approximate % of our total revenue	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	29,777	6.5
Contra-charge amounts and approximate % of our total direct costs	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	15,323	3.8

* We did not have any contra-charge arrangement with Customer Sunnic & Sunley nor with Customer New Concepts during FY2014/15, FY2015/16 and FY2016/17.

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Collection of trade receivables and retention receivables

We face risks in relation to the collectability of our trade receivables. For details of our credit risk in this connection, please refer to the section “Risk factors – We are subject to credit risk in respect of our trade and other receivables”.

In order to mitigate such risk, we carry out customer acceptance procedures on all potential customers by reviewing the payment history and litigation status through our internal record, and conducting background search on customers’ history, and in case of new customer, by taking into account their job reference and reputation in the industry to ascertain the customer’s credibility.

We had concentration of credit risk as approximately 84.8%, 86.7%, 78.1% and 52.3% of our total trade and other receivables as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively were due from Customer Tysan, our largest customer. The aggregate amounts of trade and retention receivables amounted to approximately HK\$38.0 million, HK\$42.3 million, HK\$62.0 million and HK\$58.8 million from Customer Tysan as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. Despite such concentration, our Directors consider that the credit risk in relation to the collection of our trade receivables and retention receivables is relatively low as there is no history of default and we have maintain good business relationship with Customer Tysan.

We have a policy in place to monitor and evaluate overdue payments on a case-by-case basis and consider appropriate follow-up actions (including issuing payment reminders, actively communicating with customers, and, if necessary, taking legal actions) having regard to the customer’s normal payment processing procedures, our relationship with the customer, its history of making payments to us, its financial position as well as the general economic environment.

Please also refer to the section “Financial information – Discussion on selected balance sheet items – Trade and other receivables” for a further discussion and analysis on our trade receivables and retention receivables and our trade receivables turnover days during the Track Record Period.

SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) suppliers of construction materials required for performing foundation works such as steel bars, structural steel and concrete; (ii) our subcontractors; and (iii) suppliers of other miscellaneous services such as the transportation of machinery and transportation of excavated materials from piling, the rental of machinery, repair and maintenance of machinery and the supply of fuel for powering machinery.

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The table below sets out a breakdown of our total purchases by type during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Purchase of construction materials	209,489	57.6	312,344	66.6	239,662	57.1	201,933	57.0
Subcontracting charges	69,520	19.1	83,143	17.7	87,993	20.9	107,723	30.4
Transportation expenses	56,045	15.4	46,831	10.0	64,615	15.4	27,413	7.7
Other miscellaneous services	28,563	7.9	26,714	5.7	27,768	6.6	17,300	4.9
Total purchases	363,617	100.0	469,032	100.0	420,038	100.0	354,369	100.0

Please refer to the section headed “Financial information” in this prospectus for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as the relevant sensitivity analyses in this connection.

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. For a discussion on the historical price fluctuation of the main types of goods and services that we require, please refer to the section “Industry overview” in this prospectus. Our Directors consider that we are generally able to pass on increase in material purchase costs to our customers as we generally take into account our overall costs of undertaking a project when determining our pricing.

Principal terms of engagement of our suppliers (including subcontractors)

We have not entered into any long-term agreement or committed to any minimum purchase amount with our suppliers.

The principal terms of our subcontracting engagement generally include, among other things:

- (i) the scope of works;
- (ii) the contract price, specifying the payment schedule, payment method and credit terms;
- (iii) the location of the work site at which the works are to be performed; and
- (iv) other miscellaneous job arrangement details, including the portion of various costs to be borne by our subcontractors and our Group (such as the costs of materials inspection, insurance, and transportation of machinery) and the types of machinery to be provided by us (if any).

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In respect of our purchases of goods and services from other suppliers, we generally place an order with our supplier for each purchase. In general, our suppliers (including subcontractors) grant us a credit term ranging from approximately 0 to 30 days.

Top suppliers (including our subcontractors)

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the percentage of our total purchase from our largest supplier amounted to approximately 34.3%, 55.5%, 36.3% and 41.3% of our total purchases, respectively, while the percentage of our total purchase from our five largest suppliers (including our subcontractors) combined amounted to approximately 71.8%, 78.3%, 72.9% and 66.6% of our total purchases, respectively.

FY2014/15

Rank	Suppliers	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	Supply of concrete, steel bars and structural steel	19	28 days; by cheque	124,703	34.3
2	Supplier A	A private company in Hong Kong, the principal activities of which mainly include the provision of transportation services	Transportation of excavated materials from piling	13	28 days; by cheque	54,811	15.0
3	Supplier B	A private company in the PRC, the principal activities of which mainly include the supply of construction materials	Supply of steel bars	3	Upon delivery; by cash	36,229	10.0
4	Supplier C	A private company in the PRC, the principal activities of which mainly include the supply of construction materials	Supply of steel bars and structural steel	6	Upon delivery; by cash	28,720	7.9
5	Supplier D	A private company in Hong Kong, the principal activities of which mainly include steel reinforcement works	Subcontracting of steel reinforcement works	12	28 days; by cheque	16,647	4.6
					Five largest suppliers	261,110	71.8
					All other suppliers	102,507	28.2
					Total purchases	<u>363,617</u>	<u>100.0</u>

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FY2015/16

Rank	Suppliers	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases by us from the supplier		
						HK\$'000	%	
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	Supply of concrete, steel bars and structural steel	19	28 days; by cheque	260,109	55.5	
2	Supplier A	A private company in Hong Kong, the principal activities of which mainly include the provision of transportation services	Transportation of excavated materials from piling	13	28 days; by cheque	44,008	9.4	
3	Supplier C	A private company in the PRC, the principal activities of which mainly include the supply of construction materials	Supply of steel bars and structural steel	6	Upon delivery; by cash	21,346	4.5	
4	Supplier E	A private company in Hong Kong, the principal activities of which mainly include steel reinforcement works	Subcontracting of steel reinforcement works	3	28 days; by cheque	21,338	4.5	
5	Supplier D	A private company in Hong Kong, the principal activities of which mainly include steel reinforcement works	Subcontracting of steel reinforcement works	12	28 days; by cheque	20,455	4.4	
						Five largest suppliers	367,256	78.3
						All other suppliers	101,776	21.7
						Total purchases	469,032	100.0

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FY2016/17

Rank	Suppliers	Principal business activities	Type of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases from the supplier	
						HK\$'000	%
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	Supply of concrete, steel bars and structural steel	19	28 days; by cheque	152,518	36.3
2	Supplier A	A private company in Hong Kong, the principal activities of which mainly include the provision of transportation services	Transportation of excavated materials from piling	13	28 days; by cheque	62,693	14.9
3	Supplier C	A private company in the PRC, the principal activities of which mainly include the supply of construction material	Supply of steel bars and structural steel	6	Upon delivery; by cash	35,669	8.5
4	Supplier B	A private company in the PRC, the principal activities of which mainly include the supply of construction material	Supply of steel bars	3	Upon delivery; by cash	35,098	8.4
5	Supplier D	A private company in Hong Kong, the principal activities of which mainly include steel reinforcement works	Subcontracting of steel reinforcement works	12	28 days; by cheque	20,097	4.8
					Five largest suppliers	306,075	72.9
					All other suppliers	113,963	27.1
					Total purchases	<u>420,038</u>	<u>100.0</u>

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For the six months ended 30 September 2017

Rank	Suppliers	Principal business activities	Types of goods or services purchased by us from the supplier	Year(s) of business relationship	Typical credit terms and payment method	Purchases from the supplier <i>HK\$'000</i>	%
1	Customer Tysan	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include foundation piling and site investigation in Hong Kong	Supply of concrete, steel bars and structural steel	19	28 days; by cheque	146,385	41.3
2	Supplier A	A private company in Hong Kong, the principal activities of which mainly include the provision of transportation services	Transportation of excavated materials from piling	13	28 days; by cheque	26,178	7.4
3	Customer Sunnic & Sunley	Subsidiaries of a company, the shares of which are listed on the Main Board of the Stock Exchange. The principal activities of such subsidiaries include general contracting, building and civil engineering and rental of machinery in Hong Kong	Supply of concrete, steel bars and structural steel	17	30 days; by cheque	23,725	6.7
4	Supplier F	A private company in Hong Kong, the principal activities of which mainly include ELS works	Subcontracting of ELS works	less than 1	28 days; by cheque	23,013	6.5
5	Supplier G	A sole proprietorship in Hong Kong, the principal activities of which mainly include steel reinforcement works	Subcontracting of steel reinforcement works	3	28 days; by cheque	16,776	4.7
						Five largest suppliers	66.6
						All other suppliers	33.4
						Total purchases	100.0
						<u>354,369</u>	<u>100.0</u>

None of our Directors, their close associates, or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Supplier concentration

Our five largest suppliers accounted for approximately 71.8%, 78.3%, 72.9% and 66.6% of our total purchases for each of FY2014/2015, FY2015/16, FY2016/17 and the six months ended 30 September 2017, respectively. Despite such supplier concentration, our Directors consider that we are not overly reliant on any single supplier because:

- (i) The most significant component of our purchases was the purchase cost of construction materials (such as steel bars, structural steel and concrete). For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our purchase cost of construction materials amounted to approximately HK\$209.5 million, HK\$312.3 million, HK\$239.7 million and HK\$201.9 million, representing approximately 47.3%, 56.4%, 45.9% and 50.3% of our total direct costs, respectively. Our Group has demonstrated over the Track Record Period that we were able to source the main types of construction materials from different suppliers. Our construction materials were sourced from over 55 different suppliers during the Track Record Period.
- (ii) Other than the purchase of construction materials, our another significant purchase of goods or services was in relation to the engagement of subcontractors for performing site works, mainly including laying of concrete, reinforcement fixing and formwork erection. We maintain an internal list of approved subcontractors and there were more than 22 approved subcontractors on our internal list as at the Latest Practicable Date. Our Directors are of the view that we did not place undue reliance on any single subcontractor as subcontractors for performing the aforesaid types of works are, in the opinion of our Directors and as supported by the Ipsos Report, not difficult to be accessed in the foundation industry in Hong Kong.
- (iii) We may engage the same subcontractor in different projects if the price offered by such subcontractor is competitive and the quality of work of the subcontractor in the past was up to standard, even though there are alternative subcontractors which are able to provide similar services. Please refer to the paragraph headed “Basis of selecting subcontractors” in this section for the details of our selection criteria of subcontractors.
- (iv) Our Directors consider that there may be a higher level of reliance by our subcontractors on us than the other way round because there are a number of subcontractors providing similar services in the market but there are, in the opinion of our Directors, fewer contractors in the market with long-standing relationship with main contractors which are major market players in the Hong Kong foundation construction industry such as our customers during the Track Record Period.

Reasons for subcontracting arrangement

According to the Ipsos Report, subcontracting arrangement is a usual practice in the Hong Kong construction industry. As the entire process of a foundation project involves different types of works, it may not be cost effective for us to directly undertake all types of the works involved. In addition, subcontractors can provide additional labours with different skills without the need for us to keep them under our employment. As such, we may subcontract some of our works to other subcontractors, depending on the availability of our labour resources and the cost of performing the works with our own resources.

During the Track Record Period, we mainly delegated laying of concrete, reinforcement fixing and formwork erection to our subcontractors after considering the cost of each project undertaken by us. In such subcontracting arrangements, we may provide construction materials to our subcontractors or require our subcontractors to bear the purchase cost of construction materials or providing its own machines and equipment, depending on our agreements with our subcontractors on a case-by-case basis. We take a supervisory role to regularly monitor the works performed by the subcontractors.

Basis of selecting subcontractors

We evaluate our subcontractors taking into account their quality of services, skills and technique, credit-worthiness, pricing, availability of resources in accommodating delivery requirement as well as their reputation and track records. Based on these factors, we select and maintain an internal list of approved subcontractors and such list is updated on a continuous basis. As at the Latest Practicable Date, there were more than 22 approved subcontractors on our internal list. When subcontractors are needed for a particular project, we select subcontractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations.

Control over subcontractors

We are liable to our customers for the performance and the quality of work done by our subcontractors. In general, works performed by our subcontractors are inspected and monitored by our on-site personnel based on our quality management system, environmental management system and occupational health and safety management system which are in conformity with the requirements of the ISO 9001, ISO 14001 and OHSAS 18001 standards respectively. For further information on our measures and management systems in relation to work quality, occupational safety and environmental protection, please refer to the paragraphs headed “Quality control”, “Occupational health and safety”, and “Environmental compliance” in this section.

In addition, depending on the agreements with our subcontractors, we may withhold a portion of each payment to our subcontractors (generally up to 5% of the total contract sum) as retention money such that if the subcontractors fail to deliver the works or rectify any defects in a timely manner, any expenses or losses incurred by us may be charged against the retention money withheld from our subcontractors.

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MACHINERY

We possess our own machinery for performing different types of foundation works such as ELS and pile cap construction works, and disposal of excavated materials from piling. During the Track Record Period, we acquire our machinery in Hong Kong and we believe that our investment in machinery has placed us in a position to cater for foundation works of different scales and complexities and to meet the expected growing demand in the construction industry in Hong Kong in the future.

The major types of machinery owned by our Group include:

(i) Excavator

Excavators are mainly used in performing excavation works.



(ii) Crane

Cranes are mainly used for lifting and moving heavy materials.



(iii) Crusher

Crushers are mainly used for crushing concrete or rock particles in the course of foundation works.



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(iv) Drill rig

Drill rigs are machines that drill holes in the ground which are used as a means to assist rock excavation.



The table below sets out a breakdown of the number of units of machinery owned by us:

	As at 31 March 2015 <i>No. of unit(s)</i>	As at 31 March 2016 <i>No. of unit(s)</i>	As at 31 March 2017 <i>No. of unit(s)</i>	As at 30 September 2017 <i>No. of unit(s)</i>	As at the Latest Practicable Date <i>(Note)</i> <i>No. of unit(s)</i>
Excavator	48	47	47	48	48
Crane	5	5	3	4	6
Crusher	2	1	1	1	1
Drill rig	4	3	4	4	4
Others	17	20	20	20	20
	<u>76</u>	<u>76</u>	<u>75</u>	<u>77</u>	<u>79</u>

Note: As at the Latest Practicable Date, our Group had 65 Regulated Machines which included 47 excavators, 6 cranes, 1 crusher, 4 drill rigs and 7 others machineries.

Our Group has also leased certain machinery from third parties for our foundation works where necessary. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, machinery rental costs incurred by us amounted to approximately HK\$12.7 million, HK\$14.4 million, HK\$12.7 million and HK\$10.9 million and the monthly average number of leased machinery was 27, 27, 29 and 36 respectively.

Safe keeping of machinery

Our machinery are kept in different construction sites in respect of our ongoing projects from time to time, unless the relevant machinery was under repair and maintenance.

Repair and maintenance

We perform checks on our machinery prior to sending them to the required site and replace consumable parts after completion of works. In general, machinery that are found to be malfunctioning or out of order are sent to third-party repair companies for repair and maintenance.

Our Directors believe that good conditions of machinery are important to the efficient and smooth performance of foundation works and to our workplace safety. Our major types of machinery are inspected and repaired on an as-needed basis, depending on how frequent they are used and the working conditions at construction sites. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the expenses incurred in repair and maintenance of machinery was approximately HK\$3.9 million, HK\$2.5 million, HK\$2.7 million and HK\$1.6 million, respectively, and such fluctuation was generally consistent with our additions of machinery during the Track Record Period as further discussed in the paragraph headed “Age and replacement cycle of machinery” in this section.

Possible impact of the NRMM Regulation and the Technical Circular

The NRMM Regulation came into effect on 1 June 2015 to bring NRMMs, including non-road vehicles and Regulated Machines, under regulatory control. For details, please refer to the section headed “Regulatory overview – Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” in this prospectus.

As at the Latest Practicable Date, our Group had 65 Regulated Machines, out of which 44 were exempted and 21 were approved by the Hong Kong Environmental Protection Department under the NRMM Regulation. All of the 44 exempted machines are expected to be phased out under the phase out plan set out in the Technical Circular by 31 May 2019. To keep our Group abreast of the industry changes due to the implementation the NRMM Regulation, we plan to acquire new machines and equipment which are more environmental friendly and are able to obtain approval under the NRMM Regulation if applicable.

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Age and replacement cycle of machinery

Our Directors consider that our existing owned machinery as at the Latest Practicable Date were in good operating conditions in general. The following table sets out the actual capacity of our major types of machinery and equipment in terms of average age and estimated remaining useful life as at the Latest Practicable Date:

	Average age <i>(Note 1)</i> <i>years</i>	Average estimated remaining useful life <i>(Note 2)</i> <i>years</i>
Excavator	4.0	1.7
Crane	2.8	2.7
Crusher	3.0	0.7
Drill rig	2.3	1.4
Overall	<u>3.8</u>	<u>1.7</u>

Notes:

1. Average age is calculated as the aggregate age of each machinery or equipment divided by the total number of the respective type of machinery or equipment.
2. Average estimated remaining useful life is calculated as the difference between the aggregate estimated useful life and the aggregate age of each machinery or equipment (excluding fully depreciated machinery or equipment), divided by the total number of the respective type of machinery or equipment (excluding fully depreciated machinery or equipment).

We monitor continuously the operating conditions of our owned machinery, based on which we make replacement and/or repair and maintenance decisions on an ongoing basis. We do not have a pre-determined or regular replacement cycle for our machinery, as replacement decisions are made on a case-by-case basis having regard to factors such as the feasibility and cost of repairing only the worn-out or malfunctioning parts and the cost of replacing the entire machine with a new one.

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we acquired new machinery in the amount of approximately HK\$17.6 million, HK\$4.7 million, HK\$7.0 million and HK\$4.7 million at costs, respectively. For the accounting policy in relation to the depreciation method of these machinery, please refer to note 2.3 in section II of the accountants' report set out in Appendix I to this prospectus.

Although our Directors consider that our existing machinery are in good operating conditions in general, the probability and frequency of breakdown or malfunction of our existing machinery will increase as such machinery ages. Our Directors consider that continued investments in new and high quality machinery are necessary in order to cope with our business

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development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers. For further information regarding our plan to acquire new machinery, please refer to the sections headed “Business – Business strategies – Enhancing our construction machinery fleet” and “Future plans and use of proceeds” in this prospectus.

Financing arrangements for the purchase of machinery

Taking into account our liquidity position and capital need, during the Track Record Period, our Group raised external financing for the purchase of certain machinery through finance leases. For the details of the finance lease arrangements, please refer to the section headed “Financial information – Indebtedness” in this prospectus.

SALES AND MARKETING

During the Track Record Period, we secured new businesses mainly through direct invitations for quotation or tender by customers. Our Directors consider that due to our proven track record and our relationship with our existing customers, we are able to leverage our existing customer base and our reputation in the foundation industry in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential customers from time to time for relationship building and management. During the Track Record Period, we had also, upon our customers’ request, occasionally sponsored business events organised by our customers.

Pricing strategy

We normally charge our customers pursuant to the bill of quantities based on our contracts and there is generally no discount policy. When we first receive invitations for fee quotation or tender, we estimate the total costs involved in a project in order to determine our fee quotation or tender price. Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the estimated costs of construction materials; (ii) the estimated number and types of workers required; (iii) the complexity of the project; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) any subcontracting which is expected to be necessary; (viii) prices offered to the customer in the past; and (ix) the prevailing market conditions.

In order to minimise the risk of inaccurate estimation and cost overrun, the pricing of our services is overseen by our executive Directors, whose background and experience are disclosed in the section headed “Directors and senior management” in this prospectus. Our Directors confirm that during the Track Record Period, we did not experience any loss-making contract.

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We then prepare our quotation based on a certain percentage of markup over our estimated cost. The percentage of markup may vary substantially from project to project due to factors such as (i) the size of the project; (ii) the prospect of obtaining future contracts from the customer; (iii) any possible positive effect of our Group's image in the foundation industry; (iv) the amount and substantiality of the portion of work undertaken by subcontractor; and (v) the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components and the general market condition.

QUALITY CONTROL

Quality control on projects

Kit Kee Engineering obtained the ISO 9001 certification in January 2017 certifying its quality management system to be in accordance with the requirements of the ISO 9001 standards.

We obtained the ISO 9001 certification by application and the relevant criteria and requirements for obtaining the ISO 9001 certification include, among others:

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

Our business is operated under a set of procedures that conform to the ISO 9001:2015 quality standards. Our procedures specify, among other things, specific work procedures for performing site works as well as management process, resource allocation, execution of services, communication with customers, procurement of suppliers, surveying and testing and other operation procedures in order to ensure our work quality. Our workers as well as our subcontractors are required to follow such procedures.

Personnel responsible for our overall quality assurance is Mr. Chan, our contracts manager. For detail of Mr. Chan's information, 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, we did not receive any material complaint or request for any kind of compensation from our customers due to quality issue in relation to services provided by us or works performed by our subcontractors.

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ENVIRONMENTAL COMPLIANCE

Our Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal during the Track Record Period. For details of the regulatory requirements, please refer to the section "Regulatory overview" in this prospectus.

We are committed to minimise the adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we have established an environmental management system in accordance with the ISO 14001 international standards. Since January 2017, the environmental management system of Kit Kee Engineering has been certified to be in accordance with the requirements of the ISO 14001:2015 standards. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors. Please also refer to the paragraph headed "Machinery – Possible impact of the NRMM Regulation and the Technical Circular" for details relating to our compliance with the relevant regulations on the emissions of machinery.

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we incurred approximately HK\$7.9 million, HK\$3.4 million, HK\$1.5 million and HK\$4.7 million, respectively directly in relation to the compliance with applicable environmental requirements. Such amounts mainly included costs of purchasing Regulated Machines for compliance of the NRMM Regulation. We estimate that our annual cost of compliance going forward will be consistent with our scale of operation.

INSURANCE

During the Track Record Period, we have taken out insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our total insurances premiums incurred were approximately HK\$1.1 million, HK\$1.2 million, HK\$1.5 million and HK\$0.8 million, respectively.

Employees' compensation insurance

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

Under section 24 of the Employees' Compensation Ordinance, a contractor will be liable for any accident of the workers of its subcontractors on the work sites. Therefore, where we engage subcontractors, our Group will be liable for any accident of workers of our

subcontractors in addition to our own employees. In Hong Kong, the main contractor of a construction project would normally take out insurance policy covering its liabilities as well as the liabilities of all its subcontractors under the Employees' Compensation Ordinance. During the Track Record Period, all of our Group's customers or the main contractors who engaged our customer had taken out employees' compensation insurance policies pursuant to section 40 of the Employees' Compensation Ordinance covering the liabilities of itself and its subcontractors. In such cases, our Group's liabilities as a subcontractor and the liabilities of our subcontractors are insured by our customer's insurance policy, which has also been reflected in the contracts entered into between our Group and our customers. As advised by the Legal Counsel, as long as the relevant main contractors and/or subcontractors have taken out insurance policies on their own to cover all the workers on the work sites up to the applicable amount, there is no requirement under the Employees' Compensation Ordinance that such insurance policy must be taken out by our Group as well.

During the Track Record Period and up to the Latest Practicable Date, we undertook all projects as subcontractors, where our liabilities as well as the liabilities of our subcontractors are covered by the insurance policies taken out by the main contractors of the projects. In addition, during the Track Record Period and up to the Latest Practicable Date, we have taken out employees' compensation insurance to cover our liabilities under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all our back-office employees as required under the Employees' Compensation Ordinance for an amount of up to HK\$100 million per event.

Key-person life insurance

During the Track Record Period, Kit Kee Engineering entered into certain life insurance policies on Mr. Yip. Under the policies, the policy holder and beneficiary is Kit Kee Engineering and the aggregate insured sum is approximately HK\$22.9 million. Under the structure that both the policy holder and beneficiary is Kit Kee Engineering, the life insurance policies on Mr. Yip, being the founder of our Group and a Director, serve as key-person insurances for our Group. Among these life insurance policies, two of them with an aggregate insured sum of approximately HK\$10 million have been assigned and pledged to a bank as securities for banking facilities. For details, please refer to the section headed "Financial information – Indebtedness – Banking facilities".

Other insurance coverage

We have secured insurance coverage against general office risks including loss of or damage to office contents occurring on our office premises. We have also maintained insurance on our motor vehicles and machinery for which our management considers valuable and desirable to maintain insurance. The insurance on our motor vehicles and machinery cover the loss of or damage to our motor vehicles and/or third-party liability in relation to the use of our motor vehicles and loss of or damage to our machinery respectively.

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Uninsured risks

Certain risks disclosed in the section headed “Risk factors” in this prospectus, such as risks in relation to customer concentration, our ability to obtain new contracts, estimation and management of costs, our ability to retain and attract personnel, liquidity and working capital needs, supplier concentration, subcontractors’ availability and performance, and credit risk in relation to the collectability of our trade and other receivables, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk management and internal control systems” below in this section for further details regarding how our Group manages certain uninsured risks.

EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had 261 employees (including our 2 executive Directors but excluding our 3 independent non-executive Directors). All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by functions:

	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 30 September 2017	As at the Latest Practicable Date
Directors	1	1	2	2	2
Administration, accounting and finance	9	10	15	16	16
Project management and supervision	14	13	14	14	14
Machinery operators	72	67	83	68	65
Direct construction workers	162	144	227	172	164
Total	<u>258</u>	<u>235</u>	<u>341</u>	<u>272</u>	<u>261</u>

In addition to our full-time staff, we have occasionally employed casual workers who are paid on daily basis in the event of labour shortage.

Relationship with staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any material disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Training and recruitment policies

We generally recruit our employees from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group from time to time.

We provide various training to our employees and sponsor our employees to attend various training courses, such as those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses by external parties such as the Construction Industry Council.

Remuneration policy

The remuneration packages that our Group offers to employees includes salary, discretionary bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

Mandatory provident fund

As required by Hong Kong laws, we have enrolled all of our full-time staff in mandatory provident fund schemes. Our Directors confirm that we had complied with applicable labour and social welfare laws and regulations in the Hong Kong in all material respects, and had made relevant contributions in accordance with such laws and regulations during the Track Record Period.

We have occasionally employed casual workers who are paid on daily basis in the event of labour shortage. For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the number of casual workers hired by us was 21, 56, 25 and 49 and the range of their employment duration was 1 day to 3 days, 1 day to 7 days, 1 day to 4 days and 1 day to 6 days, respectively. As such, we have participated in the industry schemes which are established under the MPF system. If our casual workers have registered with the relevant industry schemes, we will make contributions in respect of their daily income accordingly. As at the Latest Practicable Date and during the Track Record Period, our Directors confirm that we had made duly and timely contributions to such scheme for our casual workers.

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PROPERTIES

Owned property

As at the Latest Practicable Date, we owned the following residential property in Hong Kong, details of which are set out below:

Address	Saleable area	Use of property	Market value as at 30 November 2017 <i>(Note)</i>
11th Floor Fortune Court No. 8 Fuk Tsun Street Tai Kok Tsui Kowloon	340 sq.ft.	Leased out for rental income	HK\$4,290,000

Note: Please refer to the paragraph headed “Financial information – Discussion on selected balance sheet items – Investment property” in this prospectus for a reconciliation of the fair value of our investment property as reflected in our consolidated financial information as at 30 September 2017 as set out in Appendix I to this prospectus with the fair value of our investment property as at 30 November 2017 as set out in Appendix III to this prospectus.

Such owned property was pledged for banking facilities as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017. For further information, please refer to the paragraph headed “Financial information – Indebtedness” in this prospectus.

Such property has been held by us primarily for earning rental income. During the Track Record Period, such property was leased to an independent third party for residential use. As at the Latest Practicable Date, the monthly rental of such property was HK\$12,000 with tenancy period up to 9 July 2019.

Further details of our owned property and the valuation by Greater China Appraisal Limited, an independent valuer, are set out in Appendix III to this prospectus.

Leased property


As at the Latest Practicable Date, we rented the following office units from an independent third party for use as our main office in Hong Kong, details of which are as follows:

Address	Leased area	Monthly rent	Tenure
Flat J & K 12th Floor Kings Wing Plaza 2 No. 1 On Kwan Street Shatin Hong Kong	1,673 sq.ft.	HK\$61,500	2 years, from 10 November 2016 to 9 December 2018

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INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group owned the following trademark in Hong Kong:

Trademark	Place of application	Class	Applicant	Application number	Expiry date
	Hong Kong	37	Richer Ventures	304044933	12 February 2027

As at the Latest Practicable Date, our Group was the owner of the following domain name:

Registered owner	Domain name	Registration date	Expiry date
Kit Kee Engineering	www.kitkee.com.hk	23 November 2016	23 November 2018

Our Directors confirm that we will renew the registration of our domain names before its expiry.

Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial position.

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

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk factors” in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

(i) Customer concentration risk

Please refer to the paragraph headed “Customers – Customer concentration” and “Customers – Our relationship with Customer Tysan” in this section.

(ii) Risk of potential inaccurate cost estimation and cost overrun

Please refer to the paragraph headed “Pricing strategy” in this section.

(iii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Suppliers – Basis of selecting subcontractors" and "Suppliers – Control over subcontractors" in this section.

(iv) Credit risk relating to the collection of trade receivables and retention receivables

Please refer to the paragraph headed "Customers – Collection of trade receivables and retention receivables" in this section.

(v) Liquidity risk

When undertaking contract works, our Group may incur net cash outflows at the early stage of carrying out our works when we are required to pay the initial expenditures (such as purchase of materials) and/or pay our subcontractors prior to payment received from our customers. Our customers will pay progress payments after our works commence and after such works and payments have been confirmed and certified by our customers. Therefore, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in possible cash flow mismatch. If we choose to pay our suppliers only after receiving payments from our customers, we will risk our reputation in being able to make payments on a timely manner, which could harm our ability to engage capable and quality suppliers for our business in the future. On the other hand, after we apply for payment from our customers, there is generally an examination process on works completed and we cannot guarantee that our customers will pay us in a timely manner or pay the full amount invoiced by us.

In order to manage our liquidity position in view of the aforesaid working capital requirements associated with undertaking contract works, we have adopted the following measures:

- (i) Before undertaking each new contract, our finance department, led by our financial controller (namely, Mr. Leung Hoi Ki, whose experience and qualifications are disclosed in the section headed "Directors and senior management – Senior management" in this prospectus), will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project and our overall business operations so as to ensure the sufficiency of our financial resources before undertaking a new contract; and
- (ii) If, based on our regular monitoring by our finance department, there is any expected shortage of internal financial resources, we may refrain from undertaking new projects and/or consider different equity and/or debt financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions.

(vi) Quality control system

Please refer to the paragraph headed “Quality control” above in this section.

(vii) Occupational health and safety system

Please refer to the paragraph headed “Occupational health and safety” below in this section.

(viii) Environmental management system

Please refer to the paragraph headed “Environmental compliance” above in this section.

(ix) Supplier concentration risk

Please refer to the paragraph headed “Suppliers – Supplier concentration” above in this section.

(x) Risk of possible failure, damage or loss of machinery

Please refer to the paragraphs headed “Machinery” and “Insurance – Other insurance coverage” above in this section.

(xi) Corporate governance measures

Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management – Board committees” in this prospectus. In particular, one of the primary duties of our audit committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems. Our audit committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this prospectus.

In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with our Controlling Shareholders – Corporate governance measures” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

(xii) Measures for compliance with the Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules after the Listing:

- In May 2017, our Directors attended training sessions 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 established the audit committee which comprises all independent non-executive Directors, namely Mr. Lee Kwok Lun, Mr. Lo Chi Wang and Mr. Chan Ka Yu. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations including, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations.
- Our Company has engaged Dakin Capital Limited as our compliance adviser and will, upon Listing, engage legal advisers as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

Internal control review by CT Partners Consultants Limited (“CT Partners”)

In preparation for the Listing, in January 2017, we engaged CT Partners, an independent internal control adviser, to perform a review under the Committee of Sponsoring Organisations of the Treadway Commission’s 2013 framework on the adequacy and effectiveness of our Group’s internal control system. The scope of the internal control review covered the following areas:

- overall management control;
- role and responsibilities of officers, board of directors, finance executives, audit committee, remuneration committee and nomination committee in corporate governance;
- financial budget and forecasts;
- treasury functions;
- financial reporting and disclosure procedures;

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- management accounting information system;
- operational and/or financial controls over (i) operation; (ii) sales, receivables, cash collection cycle; (iii) payables and payment; (iv) general ledger cycle; (v) property, plant and equipment; (vi) information technology; (vii) taxes and customs; (viii) insurances; and (ix) subcontracting;
- risk assessments;
- information and communication; and
- human resource and compensation.

CT Partners is a company providing services in internal control review, which has been previously engaged in conducting internal control review for companies applying for listing on the Stock Exchange. The engagement team of CT Partners includes members with different qualifications such as membership of the Hong Kong Institute of Certified Public Accountants, Certified Internal Auditor, membership of the Society of Chinese Accountants & Auditors, fellow membership of the Associations of Chartered Certified Accountants, associate membership of the Association of International Accountants, membership of Certified General Accountants Association of British Columbia, membership of the Taxation Institute of Hong Kong and Certified Tax Adviser (HK).

CT Partners performed the evaluation of our Group's internal control system in April 2017. The following table summarizes the major findings identified by CT Partners, the associated improvement recommendations proposed by CT Partners, and the status of the implementation of the improvement measures by our Group:

Internal control review findings	Improvement recommendations	Implementation status
Our Group had no formal internal control manual, compliance manual and staff handbook.	Our Group should establish a formal internal control manual, compliance manual and staff handbook, with policies on insider trading and reporting channels regarding suspected fraud or employee misconduct.	Formal internal control manual, compliance manual and staff handbook had been prepared and adopted in May 2017.

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Internal control review findings

Our Group had not adopted a whistleblowing program to provide for staff or other external parties a secure and independent reporting channel to report any suspected fraud or misconduct without fear of reprisal.

Our Group had no internal audit department nor external consultant to help evaluate, monitor and improve the operating effectiveness of the internal controls.

Improvement recommendations

Our Group should set up specific email address or phone number for both internal and external parties' communication. Relevant reporting guidance, policies and procedures should also be established and communicated to staff through the staff handbook.

Our Group should consider establishing an internal audit department or engaging an external consultant to review the adequacy and effectiveness of our risk management and internal control systems annually.

Implementation status

Details of the whistleblowing program and the relevant guidance and procedures have been included in the staff handbook and the compliance manual in May 2017.

Our Group has been sourcing and comparing quotations from external consultants for annual internal audit services, and will ensure that internal audit will be performed on an annual basis after the Listing.

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Internal control review findings

Our Group had no formal procedures for reporting connected and related party transactions.

Our Group had not yet set up a website as a communication platform with the public and as a disclosure platform for information.

Improvement recommendations

Our Group should lay down formal procedures in the internal control manual and compliance manual for identifying and reporting connected and related party transactions. A list of connected and related parties should be prepared and reviewed by our financial controller quarterly to ensure all connected and related parties are updated and included into the list.

Our Group should set up a website as a communication platform with the public upon Listing.

Implementation status

Formal procedures for identifying and reporting connected and related party transactions had been included in the internal control manual and compliance manual which has been adopted in May 2017. A list of connected and related parties had been prepared by our financial controller in May 2017.

Our Group has registered a domain name and will ensure that a website will be in operation before the Listing which shall serve as a platform for communication with the public and for disclosure of information.

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Internal control review findings

Our Group had not established guidelines to refrain from trading with insider information and employees were not required to disclose any potential conflict of interests and to sign confidentiality agreements.

Our Group had not prepared annual group financial budgets and profit forecast.

Our Group had not formally consolidated and documented our various policies and procedures in relation to accounting, human resources, and project management, including receivables collection, payables monitoring and settlement, and asset depreciation policy, into an internal control manual as a standard of operations for staff's reference.

Improvement recommendations

Our Group should include guidelines to refrain from trading with insider information in the staff handbook and all employees should be required to sign and submit prescribed form for the disclosure of potential conflict of interests and sign a confidentiality agreement.

Our Group should prepare annual group financial budgets and profit forecast going forward.

Our Group should set up an internal control manual containing the mentioned policies and procedures for staff's reference in their daily duties, and each department should retain a copy of the manual for future reference of the standards for operations.

Implementation status

Our Group has included guidelines to refrain from trading with insider information in the staff handbook which was adopted in May 2017. In May 2017, our Group has also adopted standard forms for disclosure of potential conflict of interests and standard confidentiality agreement to be signed by all employees before Listing.

Our financial controller has been assigned to review group financial budgets and profit forecast prepared by accountant on at least an annual basis since January 2017.

The internal control manual with the necessary policies and procedures properly consolidated and documented for staff's reference has been prepared and adopted in May 2017.

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CT Partners performed a follow-up review in May 2017 on the implementation status of the recommended improvement measures. Based on the follow-up review, CT Partners concluded that our Group had properly implemented the recommended measures, and that there is no outstanding material internal control issue.

Having considered, among other things, that:

- (i) both CT Partners and the Sponsor had performed various steps in assessing the adequacy and effectiveness of our Group's internal control systems, such as interviewing our Directors and relevant personnel, reviewing our workflows and procedures, and reviewing our internal files and records evidencing the implementation of such workflows and procedures;
- (ii) the findings identified by CT Partners as disclosed above did not, in the opinion of CT Partners, reflect negatively in any material respect on the adequacy and effectiveness of our Group's internal control systems based on a grading of risk level in terms of the combined effect of likelihood and seriousness;
- (iii) based on the follow-up reviews completed by CT Partners, CT Partners concluded that our Group had properly implemented the recommended internal control improvement measures,

CT Partners is of the view, and the Sponsor concurs, that there are no material deficiencies in the adequacy and effectiveness of our Group's internal control systems.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety measures and procedures for reporting accidents. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, we have a safety management system in place for our employees and our subcontractors' employees to adhere with. Since January 2017, the occupational health and safety management system of Kit Kee Engineering has been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards.

Occupational health and safety measures

During the Track Record Period, we have formed a safety committee at corporate level. The safety committee comprises our executive Directors, contract manager and safety officer, all being our full-time employee as at the Latest Practicable Date. Our safety committee is responsible for overseeing our Group's health and safety management system to ensure our compliance with the relevant statutory requirements. Safety committee meeting is held on a monthly basis with our foreman for (i) reviewing the occupational health and safety measures relating to our operation; and (ii) monitoring the on-site implementation of safety management.

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Our safety control policy adopted during the Track Record Period sets out work safety measures to prevent common accidents which could happen at sites and the recurrence of the accidents. Such measures include the following:

- Our Directors will provide support and resources required to maintain safe and healthy working conditions and provide funds and facilities required to fulfil the safety policy.
- Our safety officer will ensure compliance with the relevant statutory duties and internal safety policy and will take disciplinary actions against employees and subcontractors violating the safety regulations and policies.
- All workers and staff entering the project site from time to time will be provided with an induction safety training on the first day when they enter the site.
- The safety officer is in charge of keeping up-to-date safety and health information, including changes of regulations, new codes of practice, newly identified hazards and new work practices. The safety officer is also responsible for disseminating the safety information to all concerned parties, the relevant suppliers and subcontractors.

System of handling and recording accidents and our safety compliance record

Our Group has a system in place for handling and recording work accidents during the Track Record Period and up to the Latest Practicable Date. We set out below our general procedures for handling and recording work accidents:

- (i) Upon occurrence of an accident, the relevant worker should inform the site supervisor of the details of accident as soon as possible, including venue, time, cause of injury, etc.
- (ii) The site supervisor should prepare a notice of accident within seven days of the accident (or on the day of accident for fatal case) and send the notice of accident to the project manager and our administrative department detailing the venue, the date and the time of the accident, the name of the injured, the details of the accident and injury and the follow-up action performed by the site supervisor after the occurrence of the accident. Our administrative department maintains a master file for recording all details of injury cases.
- (iii) In case of serious and fatal accidents, we shall appoint a member of our Board or senior management to perform an accident investigation by visiting the accident venue, reviewing the safety measures at the work site, interviewing witnesses and the injured worker in order to find out the underlying causes of the accident and make recommendations to improve safety and prevent re-occurrence of similar accidents.

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- (iv) The person in charge of the accident investigation will prepare a detailed report in relation to the accident and share to all relevant persons, such as site workers and supervisor, project manager, management team, etc., within two days of the accident.
- (v) Our administrative department will report the particulars of the accidents/injured on time to our customers which generally are the main contractor, the Labour Department and the insurance company in accordance with the relevant laws and requirements.

Workplace accidents during the Track Record Period

The number of reported cases of workplace accidents (including both ongoing and potential claims) that we recorded during the Track Record Period and up to the Latest Practicable Date is summarised in the following table:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017	From 1 October 2017 to the Latest Practicable Date
Number of reported cases resulting in injuries of:					
– our employees	11	13	18	14	13
– our subcontractors’ employees	9	7	8	20	3
	<u>20</u>	<u>20</u>	<u>26</u>	<u>34</u>	<u>16</u>

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The table below sets out the nature of the workplace accidents occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of accident
Contact with moving machinery	1
Exposure to or contact with harmful substance	1
Stepping on object	2
Trapped by collapsing or overturning object	1
Trapped in or between objects	4
Striking against moving object	11
Striking against fixed or stationary object	13
Fall of person from height	10
Injured whilst lifting or carrying	14
Struck by moving or falling object	20
Struck by moving vehicle	1
Slip, trip or fell on same level	21
Others	17
	116
Total:	116

Further details of the above reported cases that led to employees' compensation claims and/or common law personal injury claims against us during the Track Record Period and up to the Latest Practicable Date are disclosed in the paragraph headed "Litigation and claims" in this section.

The table below sets out a comparison of the industrial accident rate per 1,000 workers and the industrial accident fatality rate per 1,000 workers between our Group and the industry average during the calendar years of 2014, 2015 and 2016, respectively:

	Industry average ^(Note 1)	Our Group ^(Note 2)
From 1 January to 31 December 2014		
Industrial accident rate per 1,000 workers in construction industry	41.9	43.65
Industrial accident fatality rate per 1,000 workers in construction industry	0.242	0
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	80.93
Industrial accident fatality rate per 1,000 workers in construction industry	0.2	0

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	Industry average ^(Note 1)	Our Group ^(Note 2)
From 1 January to 31 December 2016		
Industrial accident rate per 1,000 workers in construction industry	34.5	34.02
Industrial accident fatality rate per 1,000 workers in construction industry	0.093	0

Notes:

1. The industry average for the calendar year of 2014, 2015 and 2016 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department.
2. Our Group's accident rate is calculated as the number of accidents during the calendar year divided by the number of site workers as at the end of the calendar year, multiplied by 1000. The number of site workers includes employees of our Group and our subcontractors.

The table below shows our Group's lost time injuries frequency rates ("LTIFR(s)") during the calendar years of 2014, 2015, 2016 and 2017:

From 1 January 2014 to 31 December 2014	12.18
From 1 January 2015 to 31 December 2015	22.67
From 1 January 2016 to 31 December 2016	9.57
From 1 January 2017 to 31 December 2017	15.84

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the working hour of each worker is 12 hours per day. The number of working days for the four calendar years ended 31 December 2017 were approximately 298 days, 297 days, 296 days and 295 days, respectively.
2. The injuries above involved the employees of our Group and our subcontractors.

Our Directors noted that our Group's accident rates in 2014 and 2015 were higher than the industry average accident rates in the corresponding years. Our Directors consider that the Group's higher accident rates was mainly due to (i) the carelessness and insufficient safety awareness of certain workers who did not follow our safety policy at construction sites for certain projects in FY2015/16; and (ii) the fact that the industry average figures published by the Labour Department took into account the "employment size" which includes general site workers who are, in the opinion of our Directors, less susceptible to injuries as certain types of general workers such as site clerks, site office staff, security guards, gatekeepers, consultants, engineers, etc., may not be directly involved in the carrying out of construction works in the construction sites, while the site workers of our Group (as a subcontractor for foundation works) and our subcontractors generally are directly involved in the carrying out of the construction works.

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We have taken remedial measures internally after the accidents and injuries, including but not limited to (i) looking into the circumstances pertaining to the accidents; (ii) providing additional briefing and training to the employees of our subcontractors on our safety measures; and (iii) increasing the frequency of delivering instructions and reminders on the implementation of safety measures. After taking the remedial measures, our Group's accident rate in 2016 decreased to 31.18, which was the lowest as compared to the industry average accident rates in 2014 and 2015.

We have also implemented the following measures in order to oversee and monitor our subcontractors' compliance with our safety measures:

- (i) we have set up rules and safety plan for subcontractors and their employees to observe on site. During our site induction and training before commencement of site works, all subcontractors and their employees are informed of the details, responsibilities and safety measures stated in the safety plan prepared for each contract. Any subsequent amendments to such safety plan will be posted on safety notice board in every site, with the relevant updates and training provided to workers of our subcontractors during on-site safety training;
- (ii) our site foremen carry out daily safety inspection to oversee subcontractors' compliance with our safety measures and to ensure that any identified or potential safety issues are rectified as soon as practicable within the required time frame;
- (iii) our safety officer carries out weekly site inspection and on-site safety discussion with our site foremen and our subcontractors' representatives in order to ensure continuous safety compliance and to discuss any necessary amendments to our safety plan with regard to the specific site conditions;
- (iv) our safety committee, comprising our executive Directors, contract manager and safety officer, conducts monthly meetings with our foremen to review the occupational health and safety measures relating to our operation and monitor the on-site implementation of safety management system;
- (v) an evaluation is conducted by our safety committee during its monthly meeting to assess the safety performance of each subcontractor to evaluate the implementation of the safety plan and the subcontractor's compliance with our safety measures; and
- (vi) we take disciplinary action against those subcontractors and their employees who have repeatedly or in any material aspect failed to comply with our safety measures, including, for example, issuing safety warning notice to the relevant worker and/or subcontractor, refusing to allow entry of the relevant worker and/or subcontractor to our work area, keeping a negative safety record in respect of the relevant subcontractor for our future evaluation and selection of subcontractors in future projects, and/or removing the relevant subcontractor from our internal approved list of subcontractors.

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Review by the Safety Consultant

We engaged, at the request of the Sponsor, the Safety Consultant (an independent safety consultant with safety auditor registered under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) with effect from November 2000) to perform a review on our existing health and safety management system and to assess the adequacy and effectiveness of our health and safety management system in February 2017. Having reviewed, among other things, (i) records pertaining to the accidents during the Track Record Period; (ii) the existing safety measures and procedures adopted by our Group; and (iii) records pertaining to our implementation of safety measures and procedures, and having carried out on-site inspections at selected work sites in which we were carrying out foundation works, the Safety Consultant is of the view that:

- (a) the accidents during the Track Record Period and up to the Latest Practicable Date as shown in the above table were not due to any material deficiencies in our health and safety management system; and
- (b) the existing health and safety management system of our Group, which is certified to be in accordance with the requirements of the OHSAS 18001:2007 standards, is adequate and effective.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we were involved in certain claims, litigations and potential claims that were arisen during our usual and ordinary course of business. Our Directors confirm that as at the Latest Practicable Date, save as disclosed under this paragraph headed “Litigation and claims” in this section, no member of our Group was engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

Settled claims in relation to workplace injuries

During the Track Record Period and up to the Latest Practicable Date, Kit Kee Engineering had settled the following claims in relation to workplace injuries, which were covered by insurance policies:

Nature of the claims	Particulars of the claims	Covered by insurance
1. Employees' compensation claim	On 3 March 2014, an employee of our Group sustained right wrist fracture during the course of employment.	Yes

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Nature of the claims	Particulars of the claims	Covered by insurance
2. Personal injury claim	On 18 October 2010, an employee of our subcontractor sustained multiple injuries including neck pain, left lower limb weakness, muscle atrophy and pain during the course of employment.	Yes

Ongoing litigations

As at the Latest Practicable Date, Kit Kee Engineering had the following ongoing claims, which were covered by insurance policies taken out by the relevant main contractors:

Nature of the claims	Particulars of the claims	Covered by insurance
1. Personal injury claim	On 3 March 2014, an employee of our Group sustained right wrist fracture during the course of employment.	Yes
2. (i) Employees' compensation claim (ii) Personal injury claim	On 25 March 2014, an employee of our Group sustained back injury during the course of employment.	Yes
3. (i) Employees' compensation claim (ii) Personal injury claim	On 26 May 2014, an employee of our Group sustained injuries to his head, right knee and left wrist during the course of employment.	Yes
4. Personal injury claim	On 19 March 2015, an employee of our subcontractor sustained right scapula fracture during the course of employment.	Yes
5. Employees' compensation claim	On 13 August 2015, an employee of our Group sustained back, waist and right foot injuries during the course of employment.	Yes

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Nature of the claims	Particulars of the claims	Covered by insurance
6. Employees' compensation claim	On 21 August 2015, an employee of our Group sustained left knee and ligamentous injuries during the course of employment.	Yes

As at the Latest Practicable Date, Kit Kee Engineering had the following ongoing litigations in relation to its business operation:

Offence(s)	Date of summons	Status
1. Failing to ensure that, as far as reasonably practicable, suitable and adequate safe access to and egress from a place of work where the construction work was being carried out was provided and properly maintained, contrary to Regulations 38AA(2), 68(1)(a) and 68(2)(g) of construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59.	27 October 2017	Hearing will be held on 1 February 2018. We are seeking legal advice in relation to the matter. As opined by the Legal Counsel, the estimated penalty on Kit Kee Engineering would likely be a fine of HK\$20,000 in the event of conviction.
2. Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of 2 metres or more, contrary to Regulations 38B(1A), 68(1)(a) and 68(2)(g) of construction Sites (Safety) Regulations made under the Factories and Industrial Undertakings Ordinance, Cap. 59.	27 October 2017	Hearing will be held on 1 February 2018. We are seeking legal advice in relation to the matter. As opined by the Legal Counsel, the estimated penalty on Kit Kee Engineering would likely be a fine of HK\$20,000 in the event of conviction.

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Offence(s)	Date of summons	Status
3. Failing to ensure that no material with sharp objects were used in the construction work or left on the place where the construction work was being carried out when the sharp objects were a source of danger to workmen employed there.	7 November 2017	The case has been adjourned to 20 March 2018 for pre-trial review. We are seeking legal advice in relation to the matter. As opined by the Legal Counsel, the estimated penalty on Kit Kee Engineering would likely be a fine of HK\$3,000 in the event of conviction.

Potential litigation in relation to employees' compensation claims and common law personal injury claims

Personal injuries suffered by our employees or by our subcontractors' employees as a result of accidents arising out of and in the course of their employment may lead to employees' compensation claims and common law personal injury claims brought by the injured worker against us:

Employees' compensation claims – For information regarding the relevant laws in relation to employees' compensation claims, please refer to the section headed “Regulatory overview – A. Laws and regulations in relation to construction labour, health and safety” of this prospectus.

Common law personal injury claims – An injured employee may also pursue common law personal injury claim (in addition to employees' compensation claim) if he/she alleges that the injury is caused by the employer's negligence, breach of statutory duty, or other wrongful act or omission. Any damages awarded under common law personal injury claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance. Under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the time limit for an applicant to commence common law personal injury claim is three years from the date on which the cause of action occurred.

As at the Latest Practicable Date, there were 78 potential employees' compensation claims and 101 potential common law personal injury claims which may be made against our Group (i.e. claims which have not yet been commenced but are capable of being commenced as the relevant time limits for commencing such claims have not lapsed yet) in relation to workplace accidents during the Track Record Period as disclosed in the paragraph headed “Occupational health and safety – Workplace accidents during the Track Record Period” above in this section.

No provision for litigation and claims

No provision has been made in our Group's financial statements in respect of the said potential claims in relation to workplace accidents as we could not ascertain whether the claims will be commenced and the likely quantum of such potential claims. In any event, pursuant to

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the relevant subcontracting agreements entered into with our main contractors, our main contractors are responsible for taking out employees' compensation insurance policies covering our liabilities in these potential claims and our Directors expect that all these potential claims will be covered by such insurance policies.

Also, no provision has been made in our Group's financial statements in respect of the ongoing litigations in relation to the actions of the Labour Department mentioned above, as we could not ascertain whether such ongoing litigations will lead to conviction and/or penalty.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any ongoing and potential litigations of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraphs headed "E. Other information – 1. Estate duty, tax and other indemnity" in Appendix V to this prospectus.

NON-COMPLIANCES

Our Directors confirm that save as the safety-related non-compliances disclosed under this paragraph headed "Non-compliances", during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is material or systemic in nature.

During the Track Record Period and up to the Latest Practicable Date, the Labour Department conducted several routine inspections of work sites where Kit Kee Engineering was a subcontractor or had subcontracted works to its subcontractors. Subsequent to the said inspections and up to the Latest Practicable Date, Kit Kee Engineering received a total of 17 summonses, among which 11 were consequential to the Improvement Notices as further discussed below ("**Summonses relating to the Improvement Notices**") and the remaining six were issued with no prior improvement notices given ("**Other Summonses**").

Summonses relating to the Improvement Notices

Following the Labour Department's routine inspections, Kit Kee Engineering received a total of 11 improvement notices (the "**Improvement Notices**") issued by the Labour Department. Pursuant to the Improvement Notices, the Labour Department requested Kit Kee Engineering to refrain from continuing or repeating the contravention to, among others, the Construction Sites (Safety) Regulations and the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, which included (i) failure to ensure that, as far as reasonably practicable, suitable and adequate safe access to and egress from a place of work where the construction work was being carried out was provided and properly maintained; (ii) being the owner of a lifting appliance, failure to ensure that it had been inspected within the preceding

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7 days by a competent person and the competent person had given a certificate to the effect that the lifting appliance was in safe working order; and (iii) failure to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of 2 metres or more, etc.

During the Track Record Period and up to the Latest Practicable Date, subsequent to the issue of the 11 Improvement Notices, the Labour Department had served 11 summonses on Kit Kee Engineering against the relevant non-compliances alleged in the 11 Improvement Notices.

Other Summonses

The six Other Summonses alleged, among other things, that Kit Kee Engineering failed to ensure a copy of the relevant and the most recent applicable forms to be displayed, failed to provide and maintain a system of work for cutting of i-beams supports at height, failed to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of 2 metres or more, failed to ensure that suitable and adequate safe access to and egress from a place of work at the top of a driving cabin, etc., which constituted contraventions to the Factories and Industrial Undertakings Ordinance, the Factories and Industrial Undertakings (Lifting appliances and Lifting Gear Regulations) Ordinance and Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance.

Status of the non-compliances

Out of the 17 summonses served on Kit Kee Engineering, Kit Kee Engineering was convicted as a result of non-compliances with the relevant work safety laws and regulations under 10 summonses, and five summonses had been withdrawn by the relevant courts.

Kit Kee Engineering was fined in the amounts ranging from HK\$2,000 to HK\$20,000 per conviction, which had been paid in full. During the Track Record Period and up to the Latest Practicable Date, the total amount of fines paid by us in relation to the above convictions was HK\$65,000, which our Directors consider to be insignificant to our operations. There was no imprisonment sentence imposed on our Directors or the responsible personnel of our Group.

The Legal Counsel advised that the penalties imposed by the court had been all settled so they are all concluded and there will be no further liability under these summonses.

For the remaining two summonses we received on 27 October 2017 (the “**Outstanding Summonses**”), the Legal Counsel opined that the estimated penalty on Kit Kee Engineering would likely be a fine of HK\$20,000 per conviction. For further details, please refer to the paragraph headed “Ongoing litigations” above in this section.

Reasons for the non-compliances

As advised by the Safety Consultant, upon reviewing the relevant documents, (i) one of the convictions was due to the malpractice of our employee who had failed to follow our in-house safety rules in carrying out the work activity; and (ii) the remaining nine convictions and the

incidents leading to the issue of the Outstanding Summonses were due to the negligence or inadvertence of the relevant service provider or subcontractor(s) engaged by us and their competent person who did not perform their duties properly and their defaults in implementation of the safety plan of Kit Kee Engineering.

Rectifications and enhanced internal control on subcontractors

In view of the non-compliances, (i) our management team conducted briefings with the relevant on-site personnel to understand the causes of the non-compliances; (ii) we had issued warning letters to the relevant subcontractors and employee who had failed to follow our in-house safety rules and led to the non-compliances; and (iii) to increase the awareness of the workers on-site in relation to occupational safety and health, we had provided and will continue to provide additional safety trainings to our on-site staff and subcontractors from time to time.

We have also implemented the following measures in order to oversee and monitor our subcontractors' compliance with our safety measures:

- (i) we have set up rules and safety plan for subcontractors and their employees to observe on site. During our site induction and training before commencement of site works, all subcontractors and their employees are informed of the details, responsibilities and safety measures stated in the safety plan prepared for each contract. Any subsequent amendments to such safety plan will be posted on safety notice board in every site, with the relevant updates and training provided to workers of our subcontractors during on-site safety training;
- (ii) our site foremen carry out daily safety inspection to oversee subcontractors' compliance with our safety measures and to ensure that any identified or potential safety issues are rectified as soon as practicable within the required time frame;
- (iii) our safety officer carries out weekly site inspection and on-site safety discussion with our site foremen and our subcontractors' representatives in order to ensure continuous safety compliance and to discuss any necessary amendments to our safety plan with regard to the specific site conditions;
- (iv) our safety committee, comprising our executive Directors, contract manager and safety officer, conducts monthly meetings with our foremen to review the occupational health and safety measures relating to our operation and monitor the on-site implementation of safety management system;
- (v) an evaluation is conducted by our safety committee during its monthly meeting to assess the safety performance of each subcontractor to evaluate the implementation of the safety plan and the subcontractor's compliance with our safety measures; and
- (vi) we take disciplinary action against those subcontractors and their employees who have repeatedly or in any material aspect failed to comply with our safety measures, including, for example, issuing safety warning notice to the relevant worker and/or

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subcontractor, refusing to allow entry of the relevant worker and/or subcontractor to our work area, keeping a negative safety record in respect of the relevant subcontractor for our future evaluation and selection of subcontractors in future projects, and/or removing the relevant subcontractor from our internal approved list of subcontractors.

View of the Safety Consultant, our Directors and the Sponsor

We engaged the Safety Consultant to perform review on, among others, (i) the records pertaining to the Summonses relating to the Improvement Notices and the Other Summonses; and (ii) our safety management system. The Safety Consultant concluded that (i) the general causes of those non-compliances were negligence or inadvertence of our staff or the staff of our subcontractors instead of the health and safety management system of our Group; (ii) there were no material deficiencies in the adequacy and effectiveness of our Group's safety management system; and (iii) the safety management system of Kit Kee Engineering was maintained in satisfactory condition (the "**Conclusion of Safety Consultant**").

Our Directors are of the view, and the Sponsor concurs, that the above incidents of non-compliances have no material negative impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules nor on our Company's suitability for listing under Rule 8.04 of the Listing Rules, having considered that:

- (i) according to the Conclusion of Safety Consultant, the general causes of those offences were negligence or inadvertence of our staff or the staff of our subcontractors rather than any material deficiency of the health and safety management system of our Group nor any fraud or dishonesty or corruption on the part on our Directors or senior management;
- (ii) we had successfully renewed our registration under the Subcontractor Registration Scheme of the Construction Industry Council in March 2016 after the last convicted non-compliance in 2015;
- (iii) all non-compliances only resulted in monetary fines, and our Directors consider the fine amounts are insignificant to our business;
- (iv) the non-compliances did not involve fatalities nor injuries, and there was no imprisonment imposed on our Directors or the responsible personnel of our Group in respect of the non-compliances; and
- (v) the non-compliances were not continuous and there has been no further conviction against Kit Kee Engineering in relation to the Factories and Industrial Undertakings Ordinance or other relevant regulations since February 2015.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any non-compliances with the applicable laws, rules or regulations of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraphs headed “E. Other information – 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of five Directors, comprising two executive Directors, and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets forth information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Role and responsibility	Relationship with other Directors and senior management
Mr. YIP Yuk Kit (葉育杰)	61	Executive Director, chairman of the Board and chief executive officer	August 1993	22 February 2017	Responsible for overall business development and business strategies of our Group	Independent
Mr. CHEUNG Chun Fai (張振輝)	47	Executive Director	October 1996	13 March 2017	Responsible for overall management and business operations of our Group	Independent
Mr. LO Chi Wang (羅智弘)	40	Independent non-executive Director	18 January 2018	18 January 2018	Overseeing the management independently and providing independent judgement on our strategy, performance, resources and standard of conduct	Independent
Mr. CHAN Ka Yu (陳家宇)	38	Independent non-executive Director	18 January 2018	18 January 2018	Overseeing the management independently and providing independent judgement on our strategy, performance, resources and standard of conduct	Independent

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Role and responsibility	Relationship with other Directors and senior management
Mr. LEE Kwok Lun (李國麟)	34	Independent non-executive Director	18 January 2018	18 January 2018	Overseeing the management independently and providing independent judgement on our strategy, performance, resources and standard of conduct	Independent

Executive Directors

Mr. YIP Yuk Kit (葉育杰), aged 61, is one of the founders of our Group. He is our executive Director, the chairman of the Board, our chief executive officer and our Controlling Shareholder. He was appointed as our Director on 22 February 2017 and was re-designated as an executive Director on 13 March 2017. He is responsible for the overall business development and business strategies of our Group. Mr. Yip is also a director of Kit Kee Engineering and Richer Ventures.

Mr. Yip has 40 years of experience in the foundation industry. In 1977, Mr. Yip commenced his business of earthwork and air compressor rental in Hong Kong through Kit Kee Mechanics* (杰記機械) which was first registered as a sole proprietorship. In 1986, Mr. Yip established Kit Kee Engineering Company* (杰記工程公司) where he engaged in ELS and foundation works in Hong Kong. On 19 August 1993, Mr. Yip, together with Mrs. Yip and Mr. Yip Yiu Chung, established Kit Kee Engineering where Mr. Yip is responsible for overseeing the projects and business development. From August 1993 and up to the present, Mr. Yip is the managing director of Kit Kee Engineering. Mr. Yip attended primary school education.

Mr. Yip does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. CHEUNG Chun Fai (張振輝), aged 47, was appointed as our executive Director on 13 March 2017. He is responsible for overall management and business operations of our Group.

He has over 20 years of experience in the foundation industry. Mr. Cheung was a technician at Fugro-McClelland Geotechnical Services (Hong Kong) Limited from July 1990 to September 1991 and a resident technical officer (laboratory) of Maunsell Consultants Asia Limited from

* For identification purpose only

DIRECTORS AND SENIOR MANAGEMENT

December 1991 to January 1993. From March 1993 to April 1995, Mr. Cheung worked in the Water Suppliers Department of the Government as a technical officer. He then worked in High-Point Rendel (HK) Limited as a technical officer from May 1995 to June 1996 and was a site engineer at Hsin Chong (Foundations) Limited from June 1996 to September 1996. Mr. Cheung joined our Group in October 1996 as a site engineer. He was subsequently promoted to the position of project manager in 2006 and was further promoted to the position of director in 2017.

Mr. Cheung obtained a Higher Diploma in Building from the City University of Hong Kong in November 1995.

Mr. Cheung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. LO Chi Wang (羅智弘), aged 40, was appointed as an independent non-executive Director on 18 January 2018. He is mainly responsible for overseeing the management independently and providing independent judgment on the issue of strategy, performance, resources and standard of conduct of our Company. He is a member of each of our audit committee and remuneration committee.

Mr. Lo has over 15 years of experience in the accounting and finance field. Mr. Lo's experience in auditing and tax advisory services was gained from his various positions in Deloitte Touche Tohmatsu from February 2002 to June 2009. Mr. Lo was the financial controller of Hanyu China Holdings Limited from June 2009 to October 2013. Mr. Lo was the financial controller of Sino Grandness Food Industry Group Limited, a company listed on the Singapore Stock Exchange (stock code: T4B) from November 2013. Since May 2015, Mr. Lo has been working as a financial controller of Hung Fook Tong Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1446).

Mr. Lo received a degree of Bachelor of Arts (Honour) in Accounting from Manchester Metropolitan University in Manchester, United Kingdom in June 2001. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since March 2010, and a fellow member of the Association of Chartered Certified Accountant (United Kingdom) since June 2014. Mr. Lo was admitted to full membership of CPA Australia on 25 May 2017.

Mr. Lo does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. CHAN Ka Yu (陳家宇), aged 38, was appointed as an independent non-executive Director on 18 January 2018. He 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 the chairman of our remuneration committee, and a member of each of our audit committee and nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Ka Yu has over 10 years of professional accounting and financial reporting experience. From July 2004 to July 2007, Mr. Chan Ka Yu worked as an accountant at Kam & Cheung Certified Public Accountants. From July 2007 to August 2010, he was a senior auditor at World Link CPA Limited. From September 2010 to April 2012, he worked at BDO Limited (which was formerly known as JBPB & Company), initially as a senior accountant and subsequently promoted as a senior associate. From May 2012 to April 2013, Mr. Chan Ka Yu was an investor relations officer at Fantasia Group (China) Company Limited, a subsidiary of Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司) (stock code: 1777), the shares of which are listed on the Main Board of the Stock Exchange. Since June 2013, he has been working as the chief financial officer of CEFC Hong Kong Financial Investment Company Limited (香港華信金融投資有限公司) (formerly known as Runway Global Holdings Company Limited (時尚環球控股有限公司)) (stock code: 1520), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Chan Ka Yu obtained a degree of Bachelor of Commerce in Accounting from Hong Kong Shue Yan University in October 2009. He is a member of Hong Kong Institute of Certified Public Accountants since March 2009.

Mr. Chan Ka Yu does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. LEE Kwok Lun (李國麟), aged 34, was appointed as our independent non-executive Director on 18 January 2018. He 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 the chairman of our audit committee and a member of our nomination committee.

Mr. Lee has over 10 years of professional accounting and financial reporting experience. From September 2006 to February 2008, Mr. Lee worked as an audit clerk at Y.K. Tsang & Co. From March 2008 to August 2009, he worked as senior audit clerk at Chan and Chan Certified Public Accountants (a member of Kreston international). From August 2009 to January 2014, he worked at ShineWing (HK) CPA Limited, initially as an accountant and subsequently promoted to the position of assistant manager. From January 2014 to November 2014, he was a manager at BDO Limited. From November 2014 to April 2015, he served KPMG and his last position was manager. In December 2015, Mr. Lee co-founded Prism CPA Limited, an accounting firm registered under the Professional Accountants Ordinance with the Hong Kong Institute of Certified Public Accountants, with his current position as a director.

Mr. Lee obtained a degree of Bachelor of Arts (Hons) in Accounting from the University of Hertfordshire in September 2006. He is a member of the Association of Chartered Certified Accountants since January 2013 and a member of the Hong Kong Institute of Certified Public Accountants since September 2013. In April 2015, Mr. Lee joined Summi (Group) Holdings Limited (森美(集團)控股有限公司) (formerly known as Tianyi (Summi) Holdings Limited (天溢(森美)控股有限公司)) (stock code: 756), the shares of which are listed on the Main Board of the Stock Exchange, as financial controller and company secretary, and has been appointed to the current position in June 2017 as chief financial officer. Mr. Lee is currently an independent non-executive Director of Wing Chi Holdings Limited (Stock Code: 6080) since September 2017, the shares of which are listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee does not hold any current or past directorships in the last three years preceding the Latest Practical Date in any public companies listed on any securities market in Hong Kong or overseas.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; and (ii) had no other relationship with any Directors, Substantial Shareholders, Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. Yip in the Shares as disclosed in the paragraph headed “Statutory and General Information – C. Disclosure of Interests” in Appendix V to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. CHAN Ho Shing (陳浩成)	49	Contracts manager	July 2005	Overseeing tender process, contract management, administration and quality assurance matters	Independent
Mr. LEUNG Hoi Ki (梁海祺)	29	Financial controller and company secretary	January 2017	Overseeing financial reporting, financial planning, treasury, financial control and company secretarial matters	Independent

Mr. CHAN Ho Shing (陳浩成), aged 49, has been the contracts manager of Kit Kee Engineering since July 2005. He is mainly responsible for overseeing tender process, contract management, administration and quality assurance matters.

Mr. Chan obtained a Certificate in Building Studies from the Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (IVE) (Morrison Hill)) in July 1988, a Higher Certificate in Building Studies from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in November 1990.

DIRECTORS AND SENIOR MANAGEMENT

He has 30 years of experience in the foundation industry. Prior to joining our Group, Mr. Chan worked for various construction companies in various capacities. He was a site foreman at Kin Ming & Co. (健明公司) from August 1987 to August 1988 and an assistant quantity surveyor at Gammon Construction Limited from October 1988 to July 1992. He was employed by Fanta (CFC) Construction Co. Limited from August 1992 and later left with his last position being commercial manager. Mr. Chan was a quantity surveyor at Yat Ming Construction Co., Limited from July 1997 to May 2005.

Mr. Chan does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

Mr. LEUNG Hoi Ki (梁海祺), aged 29, has been the financial controller of our Group since January 2017. He is primarily responsible for the management of financial, accounting and company secretarial matters of our Group.

Mr. Leung received a degree of Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in October 2011. Mr. Leung was admitted as a Certified Public Accountant in March 2015.

He has over five years of accounting experience. From September 2011 to May 2014, he was employed by BDO Limited, with his last position being a senior associate of the Assurance Department. From June 2014 to November 2014, Mr. Leung worked as a senior accountant at the Assurance Department of Ernst & Young. From December 2014 to January 2017, he was employed by KPMG with his last position being a manager.

Mr. Leung does not hold any current or past directorships in the last three years preceding the Latest Practicable Date in any public companies listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Leung Hoi Ki is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of his background, please refer to the paragraph headed “Senior management” in this section.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the aggregate remuneration, including salaries, allowances, benefits in kind and retirement scheme contribution, paid to our Director were approximately HK\$0.3 million, HK\$0.3 million, HK\$0.7 million and HK\$0.2 million, respectively.

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the five individuals whose emoluments were the highest in the Group include nil, nil, one director and nil, respectively. For each of FY2014/15, FY2015/16, FY2016/17 and the six

DIRECTORS AND SENIOR MANAGEMENT

months ended 30 September 2017, the aggregate remuneration, including salaries, allowances, benefits in kind and retirement scheme contribution, paid to our five highest paid individuals were approximately HK\$2.6 million, HK\$2.6 million, HK\$3.4 million and HK\$1.4 million, respectively.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017. Furthermore, none of our Directors waived any compensation for the same periods.

Save as disclosed above, no other payments have been paid or are payable, in respect of each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, by us or any of our subsidiaries to our Directors.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. Yip	720,000
Mr. Cheung	720,000
Independent non-executive Directors	<i>HK\$</i>
Mr. Lo Chi Wang	180,000
Mr. Chan Ka Yu	180,000
Mr. Lee Kwok Lun	180,000

REMUNERATION POLICY

The remuneration of our Directors and senior management are determined with reference to those paid by comparable companies, their time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management 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. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

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

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 18 January 2018 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. The primary roles of our audit committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring the integrity of our financial statements and annual reports and accounts, half-yearly reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing our financial controls, internal control and risk management systems. Our audit committee consists of three members, namely, Mr. Lee Kwok Lun, Mr. Lo Chi Wang and Mr. Chan Ka Yu. Mr. Lee Kwok Lun is the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 18 January 2018 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code has been adopted. The primary roles of our remuneration committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives; and (c) making recommendations to our Board on the remuneration of non-executive Directors. Our remuneration committee consists of three members, namely, Mr. Chan Ka Yu, Mr. Yip and Mr. Lo Chi Wang. Mr. Chan Ka Yu is the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 18 January 2018 in compliance with paragraph A.5.1 of the Corporate Governance Code. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code has been adopted. The primary roles of our nomination committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors. Our nomination committee consists of three members, namely, Mr. Yip, Mr. Chan Ka Yu and Mr. Lee Kwok Lun. Mr. Yip is the chairman of our nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Dakin Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances: (a) before the publication of any regulatory announcement, circular or financial report; (b) where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including share issue and share repurchases; (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from Corporate Governance Code provision A.2.1, our corporate governance practices have complied with the Corporate Governance Code. Corporate Governance Code provision A.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yip is the chairman and chief executive officer of our Group. In view of the fact that Mr. Yip has been assuming day-to-day responsibilities in operating and managing Kit Kee Engineering, the operating subsidiary of our Group since August 1993, our Board believes that it is in the best interest of our Group to have Mr. Yip taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Corporate Governance Code provision A.2.1 is appropriate in such circumstance. Notwithstanding from above, our Board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

DIRECTORS AND SENIOR MANAGEMENT

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the Corporate Governance Code after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by Fame Circle, which in turn is owned as to 100% by Mr. Yip. Both Mr. Yip and Fame Circle will be regarded as our Controlling Shareholders.

INDEPENDENCE OF OUR GROUP

Our Directors consider that our Group is capable of carrying on the business independent of, and without undue reliance on, our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Financial Independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. During the Track Record Period, our Group had amount due from/to Mr. Yip, one of our Controlling Shareholders and an executive Director. Please refer to the section headed "Financial information – Discussion on selected balance sheet items – Amounts due from/to a director" in this prospectus and note 17 to the accountants' report set out in Appendix I to this prospectus for further details. The amount due from/to Mr. Yip will be fully settled upon Listing.

During the Track Record Period, certain banking facilities of our Group were secured by, among others, personal properties of Mrs. Yip, unlimited personal guarantees provided by Mr. Yip and assignment of keyman life insurance policies covering Mr. Yip. Please refer to the section headed "Financial information – Indebtedness – Banking facilities" in this prospectus for details of banking facilities granted during the Track Record Period. All such personal securities and guarantees will be replaced by our Company's corporate guarantee and pledged deposits of our Group upon Listing.

Operational Independence

Having considered that (a) we have established our own operational structure comprising individual departments, each with specific areas of responsibilities; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates; and (d) all the intellectual property rights including trademark and domain name are registered in the name of our Group, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group can operate independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of the Board includes the approval of the overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group. The Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and the Shareholders as a whole, and does not allow any conflict between his or her duties as a director and his or her personal interest to exist;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum;
- (c) our independent non-executive Directors will bring independent judgement to the decision-making process of our Board; and
- (d) the senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry in which our Group operates, and have served our Group for a significant length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

Major customers' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors or their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Major suppliers' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors or their respective close associates, had any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NO COMPETING INTERESTS

Each of our Controlling Shareholders, Directors, Substantial Shareholders and their respective close associates does not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders (each a “**Covenantor**”, collectively the “**Covenantors**”) has entered into the Deed of Non-competition in favour of our Company and has undertaken and covenanted with our Company (for itself and as trustee for its subsidiaries) that he or it shall not, and shall procure entities or companies controlled by him or it (other than members of our Group) not to at any time during the period that the Deed of Non-Competition remains effective, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company (in each case whether as a shareholder, partner, agent, employee or otherwise):

- (i) carry on, engage, participate, concerned or interested in or in any way assist in or provide support (whether financial, technical or otherwise) to any business which is the same as, similar to or in competition with the current business of our Group, namely, undertaking foundation works in Hong Kong (the “**Restricted Business**”), save for the holding of not more than 10% shareholding interest (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong;
- (ii) canvass, solicit, interfere with or endeavour to entice away from members of our Group any person, firm, company or organisation which to his or its knowledge has from time to time or has at any time with the immediate past one (1) year before the date of such solicitation, interference or enticement been a customer, a supplier or a business partner or employee of any member of Group for the purpose of conducting any Restricted Business;
- (iii) procure orders from or solicit business from any person, firm, company or organisation which to his or its knowledge has dealt with any member of our Group or is in the process of negotiating with any member of our Group in relation to any Restricted Business;
- (iv) do or say anything which may be harmful to the reputation of any member of our Group or which may lead any person to reduce their level of business with any member of our Group or seek to improve their terms of trade with any member of our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (v) solicit or entice or endeavour to solicit or entice for employment by him or it or entities or companies controlled by him or it (other than members of our Group) or at any time employ or procure the employment of any person who has, at any time within the immediate past one (1) year before the date of such solicitation or employment, been or is a director, manager, employee of or consultant to members of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; and
- (vi) make use of any information pertaining to the business of our Group which may have come to his or its knowledge in his or its capacity as a shareholder of our Company or director of any member of our Group for the purpose of engaging in the Restricted Business.

In addition, each of the Covenantors has jointly and severally undertaken and covenanted with our Company that if any new business opportunity relating to the Restricted Business is made available to any of the Covenantors or any company or entity controlled by him or it, directly or indirectly, whether individually or together (other than members of our Group), he or it will or will direct or procure the relevant controlled company or entity to direct such business opportunity to our Group with such required information to enable our Group to evaluate the merits of the relevant business opportunity. The relevant Covenantor will provide or procure the relevant controlled company or entity to provide our Group with all such reasonable assistance to secure such business opportunity.

None of the Covenantors and their relevant controlled companies (other than members of our Group) shall pursue the relevant business opportunity unless our Group decides not to pursue such business opportunity. Any decision of our Group as to whether or not to pursue the business opportunity will have to be approved by our independent non-executive Directors. Our Group will not be required to pay any fees to any of the Covenantors and/or their relevant controlled companies in relation to such business opportunity.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of the Covenantors under the Deed of Non-Competition shall cease if:

- (i) our Shares cease to be listed on the Main Board of the Stock Exchange; or
- (ii) the Controlling Shareholders cease to be the Controlling Shareholders (as defined under the Listing Rules) of our Company,

whichever occurs first.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Nothing in the Deed of Non-competition shall prevent our Controlling Shareholders or any of their associates from carrying on any business other than the Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) the Covenantors will make an annual confirmation as to the compliance with his/its undertaking under the Deed of Non-Competition for inclusion in the annual report of our Company;
- (b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. 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 judgment 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” in this prospectus;
- (c) our Company has appointed Dakin Capital Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls;
- (d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (e) 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 taken in relation to whether to pursue the new opportunity under the Deed of Non-Competition.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the par value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of Shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Fame Circle	Beneficial owner ^(Note 1)	900,000,000	75%
Mr. Yip	Interest in a controlled corporation ^(Note 1)	900,000,000	75%
Mrs. Yip ^(Note 2)	Interest of spouse ^(Note 2)	900,000,000	75%

Notes:

1. Fame Circle is owned as to 100% by Mr. Yip. Mr. Yip is the sole director of Fame Circle. Under the SFO, Mr. Yip is deemed to be interested in the same number of Shares held by Fame Circle.
2. Mrs. Yip is the spouse of Mr. Yip. Under the SFO, Mrs. Yip is deemed to be interested in the same number of Shares in which Mr. Yip is interested.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the par value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>	
<i>upon completion of the Capitalisation Issue and the Share Offer:</i>	
350,000 Shares in issue at the date of this prospectus	3,500
899,650,000 Shares to be issued pursuant to the Capitalisation Issue	8,996,500
<u>300,000,000</u> Shares to be issued pursuant to the Share Offer	<u>3,000,000</u>
<u>1,200,000,000</u> Total	<u>12,000,000</u>

Assumptions

The above table assumes that the Share Offer becomes unconditional and the issuance of Shares pursuant to the Share Offer. It does not take into account (a) any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 300,000,000 Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date other than participation in the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 18 January 2018, conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$8,996,500 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par value a total of 899,650,000 Shares for allotment and issuance to the Shareholders appear on the register of members of our Company as of 18 January 2018 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraphs headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the date by which the next annual general meeting of our Company is required by the Memorandum and Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 18 January 2018” 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 powers to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options 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 may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the date by which the next annual general meeting of our Company is required by the Memorandum and Articles or any applicable law to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about our Company – 6. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

FINANCIAL INFORMATION

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's consolidated financial information as at the end of and for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this prospectus.

OVERVIEW

We are a subcontractor of foundation works services in Hong Kong. During the Track Record Period, foundation works undertaken by us mainly included ELS and pile cap construction works, disposal of excavated materials from piling and ancillary services including dismantling of shoring, site formation, steel fixing and site clearance. Our services are mainly required in the construction of commercial and residential buildings. During the Track Record Period, we engage in projects in both public and private sectors.

During the Track Record Period, our revenue represented income derived from undertaking foundation works in Hong Kong. Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) suppliers of construction materials required for performing foundation works such as steel bars, structural steel and concrete; (ii) our subcontractors; and (iii) suppliers of other miscellaneous services such as the transportation of machinery and transportation of excavated materials from piling, the rental of machinery, repair and maintenance of machinery and the supply of fuel for powering machinery.

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, in particular, the following:

Availability of construction projects in Hong Kong

Our results of operations are affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the property markets in Hong Kong, the general conditions of the property markets in Hong Kong, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. Unfavourable changes in these factors may result in a significant decrease in the number of foundation projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong and/or

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adverse governmental policies on the property markets in Hong Kong may lead to a significant decline in the number of construction projects of buildings in Hong Kong, thereby resulting in a decline in the number of foundation projects. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of foundation projects in Hong Kong may materially affect our business volume and therefore our results of operations and financial condition.

Accuracy in our estimation of time and costs involved in projects

When determining our quotation or tender price, our management would estimate the time and costs involved in a project. There is no assurance that the actual amount of time and costs during the performance of our projects would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, customers' variation orders, accidents, non-performance by our subcontractors, unexpected significant increase in costs of construction materials agreed to be borne by us, and other unforeseen problems and circumstances. Any material inaccurate estimation in the 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 Group's financial condition, profitability and liquidity.

Use of machinery in our operation

Our foundation projects generally depend on the availability of our machinery. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed or damaged machinery cannot be repaired or if any lost machinery cannot be replaced in a timely manner, our operations and financial performance could be adversely affected.

Availability and performance of our subcontractors and our ability to complete works on time

Our Group may from time to time subcontract some of our works. In order to control and ensure the quality and progress of the works of our subcontractors, our Group selects subcontractors based on, among others, their quality of services, skills and technique, credit-worthiness, pricing, availability of resources as well as their track records. For each of the FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our subcontracting charges amounted to approximately HK\$69.5 million, HK\$83.1 million, HK\$88.0 million and HK\$107.7 million, respectively, representing approximately 15.7%, 15.0%, 16.9% and 26.8% of our total direct costs, respectively. There is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with

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our own labours. We may be affected by the non-performance, inappropriate or poor works rendered by our subcontractors. Such events could impact upon our profitability, financial performance and reputation. In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Throughout the Track Record Period, Mr. Yip controlled 100% equity interests in Kit Kee Engineering. Our Group was under the control of Mr. Yip prior to and after the Reorganisation. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation (as discussed in the section headed “History and development” in this prospectus) is regarded as a continuing entity. Accordingly, for the purpose of the preparation of the financial information of our Group, our Company has been considered as the holding company of the companies now comprising our Group throughout the Track Record Period. The financial information of our Group has been prepared using the principles of merger accounting.

Please refer to note 1.3 in section II of the accountants’ report set out in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure provisions of the Listing Rules. The significant accounting policies adopted by our Group are set forth in note 2 and note 3 in section II of the accountants’ report set out in Appendix I to this prospectus. Some of the accounting policies involve subjective judgments, estimates, and assumptions made by our management, all of which are subject to inherently uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be relevant and reasonable under the circumstances.

The following paragraphs highlight certain critical accounting policies and estimates applied in the preparation of our Group’s consolidated financial statements. For other critical accounting policies and estimates which were applied in the preparation of the financial information of our Group, please refer to note 3 and note 4 to the accountants’ report set out in Appendix I to this prospectus.

Revenue recognition

Our revenue from contract work is recognised based on the stage of completion during the Track Record Period, as further disclosed in note 2.7 and note 2.13 in section II of the accountants’ report set out in Appendix I to this prospectus. Starting from 1 April 2018, our

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Group will recognise revenue in accordance with HKFRS 15 and our Directors consider that an output method will be used in measuring the work progress when applying HKFRS 15, as further disclosed in note 3 in section II of the accountants' report set out in Appendix I to this prospectus.

In practice, we make application to our customer for progress payment normally on a monthly basis or upon the completion of the project. After examination by our customer or its agent, a payment certificate will be issued to us certifying the portion of works completed during the period for which progress payment is applied, and therefore the stage of completion for the period is established by reference to the payment certificate issued to us.

However, progress certifications might not necessarily take place as at our financial year-end. In case where progress certifications do not take place as at our financial year-end or where the last progress certificate for a works contract during a financial year does not cover a period up to the financial year-end, the revenue for the period from the last progress certification up to the financial year-end is estimated based on the estimated stage of completion with reference to the actual amounts of works performed during such period as indicated by the relevant site records as well as the rates for the relevant works items as agreed between the customer and us.

Therefore, our revenue during the Track Record Period was recognised based on the stage of contract completion which was either fully confirmed by customers' progress certifications or was estimated by our Directors due to progress certification not taking place exactly as at our financial year/period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2016		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Contract revenue recognised where the stage of completion:										
– was fully confirmed by customers' progress certifications	463,531	99.2	615,600	99.6	593,572	100.0	272,292	99.2	457,362	100.0
– was estimated due to customers' progress certifications not taking place exactly as at our financial year/period	3,771	0.8	2,246	0.4	–	–	2,245	0.8	–	–
Total revenue	<u>467,302</u>	<u>100.0</u>	<u>617,846</u>	<u>100.0</u>	<u>593,572</u>	<u>100.0</u>	<u>274,537</u>	<u>100.0</u>	<u>457,362</u>	<u>100.0</u>

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Provision for impairment of trade and retention receivables

At each reporting date, trade and retention receivables are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of trade and retention receivables includes observable data that comes to the attention of our Group about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- 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.

Where the recovery of trade and retention receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When we are satisfied that recovery of trade and retention receivables is remote, the amount considered irrecoverable is written off against trade and retention receivables directly and any amounts held in the allowance account in respect of that receivable 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.

At each reporting date during the Track Record Period, our Group reviewed our trade receivables for evidence of impairment on both an individual and collective basis. This estimate is based on the credit history of the customers and the current market condition. Our Group reassessed the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information, and market volatility might bear a significant impact which might not be easily ascertained. Based on such assessment, no provision for impairment has been recognised as at 31 March 2015, 2016, 2017 and the six months ended 30 September 2017.

For other critical accounting policies and estimates, which was applied in the preparation of our Group's consolidated financial statements, please refer to note 2 and note 4 in section II of the accountants' report set out in Appendix I to this prospectus respectively.

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SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of 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:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016 <i>HK\$'000</i> (unaudited)	For the six months ended 30 September 2017 <i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>		
Revenue	467,302	617,846	593,572	274,537	457,362
Direct costs	(443,069)	(553,899)	(522,078)	(243,981)	(401,391)
Gross profit	24,233	63,947	71,494	30,556	55,971
Other income/(loss), net	1,144	(1,217)	952	1,675	543
Administrative expenses	(8,182)	(9,069)	(14,355)	(4,176)	(15,389)
Operating profit before finance costs and income tax	17,195	53,661	58,091	28,055	41,125
Finance costs	(574)	(795)	(691)	(317)	(168)
Profit before income tax	16,621	52,866	57,400	27,738	40,957
Income tax expense	(2,844)	(8,847)	(10,063)	(4,571)	(8,332)
Profit and total comprehensive income for the year/period attributable to owners of the Company	<u>13,777</u>	<u>44,019</u>	<u>47,337</u>	<u>23,167</u>	<u>32,625</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from undertaking foundation works as a subcontractor. For detailed breakdowns of our revenue during the Track Record Period by type of foundation works, project nature (private or public projects), and range of revenue derived per project, please refer to the section “Business – Overview” and “Business – Projects undertaken during the Track Record Period” in this prospectus.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

Direct costs

The table below sets forth a breakdown of our direct costs during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2016		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Materials	209,489	47.3	312,344	56.4	239,662	45.9	119,881	49.1	201,933	50.3
Subcontracting charges	69,520	15.7	83,143	15.0	87,993	16.9	36,422	14.9	107,723	26.8
Staff costs	70,245	15.8	72,961	13.2	91,154	17.4	41,931	17.2	41,854	10.4
Transportation expenses	56,045	12.6	46,831	8.4	64,615	12.4	26,330	10.8	27,413	6.9
Rent	12,658	2.9	14,389	2.6	12,715	2.4	5,930	2.4	10,925	2.7
Fuel	10,278	2.3	7,572	1.4	9,375	1.8	4,272	1.8	3,315	0.8
Depreciation	9,207	2.1	11,906	2.1	10,885	2.1	6,010	2.5	5,168	1.3
Repair and maintenance	3,893	0.9	2,540	0.5	2,735	0.5	1,586	0.6	1,602	0.4
Other direct costs	1,734	0.4	2,213	0.4	2,944	0.6	1,619	0.7	1,458	0.4
Total	443,069	100.0	553,899	100.0	522,078	100.0	243,981	100.0	401,391	100.0

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Our direct costs during the Track Record Period comprised:

- (a) direct materials, which mainly represent costs for purchasing construction materials required for performing foundation works such as steel bars, structural steel and concrete. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our direct materials costs on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 1.5% and 10.7%, which correspond to the approximate CAGR in the price of steel reinforcements and in the price of cement (which is a major ingredient of concrete), respectively, from 2011 to 2016 as shown in the Ipsos Report (see the section headed “Industry overview – Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations

in materials costs	-1.5%	-10.7%	+1.5%	+10.7%
Increase/(decrease) in profit before income tax (Note 1)				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2014/15	3,142	22,415	(3,142)	(22,415)
FY2015/16	4,685	33,421	(4,685)	(33,421)
FY2016/17	3,595	25,644	(3,595)	(25,644)
Six months ended				
30 September 2017	3,029	21,607	(3,029)	(21,607)
Increase/(decrease) in net profit (Note 2)				
FY2014/15	2,624	18,717	(2,624)	(18,717)
FY2015/16	3,912	27,907	(3,912)	(27,907)
FY2016/17	3,002	21,413	(3,002)	(21,413)
Six months ended				
30 September 2017	2,529	18,042	(2,529)	(18,042)

Notes:

- Our profit before income tax was approximately HK\$16.6 million, approximately HK\$52.9 million, approximately HK\$57.4 million and approximately HK\$41.0 million for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.
- Our net profit was approximately HK\$13.8 million, approximately HK\$44.0 million, approximately HK\$47.3 million and approximately HK\$32.6 million for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.

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- (b) subcontracting fees, which are costs for engaging subcontractors for carrying out portions of foundation works undertaken by us. As disclosed in the section headed “Business – Suppliers – Reasons for subcontracting arrangement” in this prospectus, we may subcontract some of our works to other subcontractors, depending on the availability of our labour resources and the cost of performing the works with our own resources. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period. As a major factor affecting subcontracting charges is, in the opinion of our Directors, labour costs, the hypothetical fluctuation rates are set at 6.2% and 16.9%, which correspond to approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers in the foundation contracting industry from 2011 to 2016 as shown in the Ipsos Report (see “Industry overview – Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations
in subcontracting
charges**

-6.2% -16.9% +6.2% +16.9%

**Increase/(decrease) in
profit before income
tax (Note 1)**

	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2014/15	4,310	11,749	(4,310)	(11,749)
FY2015/16	5,155	14,051	(5,155)	(14,051)
FY2016/17	5,456	14,871	(5,456)	(14,871)
Six months ended				
30 September 2017	6,679	18,205	(6,679)	(18,205)

**Increase/(decrease) in net
profit (Note 2)**

FY2014/15	3,599	9,810	(3,599)	(9,810)
FY2015/16	4,304	11,733	(4,304)	(11,733)
FY2016/17	4,556	12,417	(4,556)	(12,417)
Six months ended				
30 September 2017	5,577	15,201	(5,577)	(15,201)

Notes:

1. Our profit before income tax was approximately HK\$16.6 million, approximately HK\$52.9 million, approximately HK\$57.4 million and approximately HK\$41.0 million for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.
2. Our net profit was approximately HK\$13.8 million, approximately HK\$44.0 million, approximately HK\$47.3 million and approximately HK\$32.6 million for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.

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- (c) direct staff cost, which are salaries and benefits provided to our staff who are directly involved in carrying out our foundation works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff costs (in respect of our staff who are directly involved in carrying out our foundation works) on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 6.2% and 16.9%, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers in the foundation contracting industry from 2011 to 2016 as shown in the Ipsos Report (see “Industry overview – Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

**Hypothetical fluctuations
in staff costs (in respect
of staff who are directly
involved in carrying out
our foundation works)**

-6.2% -16.9% +6.2% +16.9%

**Increase/(decrease) in
profit before income
tax (Note 1)**

	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FY2014/15	4,355	11,871	(4,355)	(11,871)
FY2015/16	4,524	12,330	(4,524)	(12,330)
FY2016/17	5,652	15,405	(5,652)	(15,405)
Six months ended 30 September 2017	2,595	7,073	(2,595)	(7,073)

**Increase/(decrease) in net
profit (Note 2)**

FY2014/15	3,636	9,912	(3,636)	(9,912)
FY2015/16	3,778	10,296	(3,778)	(10,296)
FY2016/17	4,719	12,863	(4,719)	(12,863)
Six months ended 30 September 2017	2,167	5,906	(2,167)	(5,906)

Notes:

1. Our profit before income tax was approximately HK\$16.6 million, approximately HK\$52.9 million, approximately HK\$57.4 million and approximately HK\$41.0 million for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.
2. Our net profit was approximately HK\$13.8 million, approximately HK\$44.0 million, approximately HK\$47.3 million and approximately HK\$32.6 million for each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively.

- (d) transportation expenses, which mainly represent expenses for transporting away excavated materials from piling and other construction wastes resulting from our foundation services from work sites to landfills and fees for transporting our machinery to or from work sites;

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- (e) rent, which mainly represents rental costs for renting machinery necessary for carrying out our foundation works such as excavators and cranes;
- (f) fuel, which represents costs of fuel for our machinery which are directly involved in our projects;
- (g) depreciation, which represents depreciation charges in respect of our owned machinery and machinery under finance leases which are directly involved in our projects;
- (h) repair and maintenance, which are costs paid to other third party repair companies to carry out repair and maintenance works for our machinery; and
- (i) other direct costs, which include various miscellaneous expenses such as motor vehicles expenses incurred in relation to construction sites.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our direct costs.

Other income/(loss), net

The table below sets forth a breakdown of our other net income/(loss) during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Dividend income	275	370	375	322	13
Gain/(loss) on disposal of property, plant and equipment	320	140	(294)	(75)	–
Rental income	132	132	132	66	68
Net gain/(loss) from change in fair value on investment property	520	(280)	420	290	240
Net gain/(loss) from change in fair value of financial assets at fair value through profit or loss	(176)	(60)	337	1,072	–
Net gain/(loss) on disposal of financial assets at fair value through profit or loss	59	(1,519)	(18)	–	217
Other	14	–	–	–	5
Total	1,144	(1,217)	952	1,675	543

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Our other net income/(loss) during the Track Record Period mainly comprised:

- (a) dividend income, which was derived from the unlisted investment funds purchased from a bank in Hong Kong and certain listed equity investments in Hong Kong which were classified as financial assets at fair value through profit or loss during the Track Record Period (as further discussed in the paragraph headed “Discussion on selected balance sheet items – Financial assets at fair value through profit or loss” below in this section);
- (b) gain or loss on disposal of property, plant and equipment, which was recognised due to the disposal of our plant and machinery and motor vehicles due to replacement during the Track Record Period;
- (c) rental income, which was derived from the lease of investment property situated in Hong Kong during the Track Record Period;
- (d) net gain or loss from change in fair value on investment property, which represented the change of fair value on investment property as at the end of each reporting period, which is situated in Hong Kong and is leased to an independent third party for rental income during the Track Record Period and up to the Latest Practicable Date;
- (e) net gain or loss from change in fair value of financial assets at fair value through profit or loss, which represented the changes in fair value of the unlisted investment funds purchased from a bank in Hong Kong and certain listed equity investments in Hong Kong, as at the end of each reporting period, which were classified as financial assets at fair value through profit or loss during the Track Record Period;
- (f) net gain or loss on disposal of financial assets at fair value through profit or loss, which was recognised upon the disposal of the unlisted investment funds purchased from a bank in Hong Kong and certain listed equity investments in Hong Kong, which were classified as financial assets at fair value through profit or loss during the Track Record Period; and
- (g) other, which mainly represented exchange gain arising from transactions of RMB denominated unlisted investment funds purchased from a bank in Hong Kong and bank interest income.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our other net income/(loss).

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Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2014/15		FY2015/16		FY2016/17		For the six months ended 30 September 2016 (unaudited)		For the six months ended 30 September 2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Auditors' remuneration	75	0.9	150	1.7	150	1.1	75	1.8	75	0.5
Bank charges	205	2.5	253	2.8	93	0.7	59	1.4	58	0.4
Depreciation	52	0.7	48	0.5	64	0.4	17	0.4	59	0.4
Entertainment	2,292	28.0	2,688	29.6	1,843	12.8	706	16.9	550	3.5
Insurance	1,148	14.0	1,233	13.6	1,542	10.7	703	16.8	758	4.9
Professional fees	48	0.6	57	0.6	628	4.4	62	1.5	200	1.3
Listing expenses	-	-	-	-	3,474	24.2	-	-	9,201	59.8
Operating lease rental on premises	-	-	-	-	246	1.7	-	-	369	2.4
Staff costs, including directors' emoluments	4,061	49.6	4,217	46.5	5,294	36.9	2,255	54.0	3,487	22.7
Other expenses	301	3.7	423	4.7	1,021	7.1	299	7.2	632	4.1
	<u>8,182</u>	<u>100.0</u>	<u>9,069</u>	<u>100.0</u>	<u>14,355</u>	<u>100.0</u>	<u>4,176</u>	<u>100.0</u>	<u>15,389</u>	<u>100.0</u>

Our administrative and other operating expenses during the Track Record Period comprised:

- (a) auditors' remuneration, which are fees to our auditors;
- (b) bank charges, which are mainly annual renewal and handling fees for banking facilities maintained;
- (c) depreciation, which include depreciation of furniture, fixtures and equipment and motor vehicles;
- (d) entertainment expenses, which mainly represent costs in relation to the relationship building with existing and potential customers;
- (e) insurance, which mainly represent insurance premiums for insurance policies discussed in the section headed "Business – Insurance" in this prospectus;
- (f) professional fees, which mainly represents accountancy advisory services fees and ISO certification fees;
- (g) listing expenses, which represent expenses in relation to the Listing;

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- (h) operating lease rental on premises, which represents rental expenses for our current head office in Shatin, the lease of which commenced since November 2016 (while our Group managed administrative matters at temporary site offices before the lease of our current head office);
- (i) staff costs (including directors' emoluments), which include salaries and benefits provided to our Directors and our administrative and back office staff; and
- (j) other expenses, which mainly include utilities and telecommunications expenses and printing and stationery costs.

Finance costs

Our finance costs during the Track Record Period represented (i) interest expenses on finance leases of our machinery and motor vehicles; and (ii) interest expenses on bank overdrafts and bank loans, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Profit before income tax	16,621	52,866	57,400	27,738	40,957
Tax at Hong Kong profits tax rates of 16.5%	2,742	8,723	9,471	4,577	6,758
Tax effect of expenses not deductible for tax purpose	106	197	754	62	1,608
Tax effect of income not taxable for tax income	(134)	(62)	(144)	(101)	(48)
Other	130	(11)	(18)	33	14
Income tax expense	<u>2,844</u>	<u>8,847</u>	<u>10,063</u>	<u>4,571</u>	<u>8,332</u>

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 September 2017 compared with six months ended 30 September 2016

Revenue

Our revenue increased from approximately HK\$274.5 million for the six months ended 30 September 2016 to approximately HK\$457.4 million for the six months ended 30 September 2017, representing an increase of 66.6%. Such increase was mainly because:

- (i) We increased our efforts in pursuing projects of relatively larger scale and higher income. We recorded an increase in our revenue derived from foundation projects of relatively larger scale and higher income as illustrated in the table below:

	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised		
HK\$10 million or above	7	14
HK\$1 million to below HK\$10 million	9	13
Below HK\$1 million	8	15
	24	42
	24	42

- (ii) There was an increase in the number of projects with revenue contribution during the six months ended 30 September 2017, as demonstrated in the below table:

	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>No. of projects</i>	<i>No. of projects</i>
Projects brought forward from 1 April	17	16
New projects awarded to us during the period	7	26
	24	42
	24	42

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- (iii) We derived a higher amount of recognised revenue from 11 projects for the six months ended 30 September 2017 when compared with the amount of recognised revenue of the same projects for the six months ended 30 September 2016, resulting in higher amount of recognised revenue of approximately HK\$204.0 million from these projects. Such increase was due to different stages of the foundation projects and our actual works progress under the relevant contracts as certified by our customers.

Direct costs

Our direct costs increased from approximately HK\$244.0 million for the six months ended 30 September 2016 to approximately HK\$401.4 million for the six months ended 30 September 2017, representing an increase of 64.5%, which was slightly less than the increase in our revenue by approximately 2.1 percentage points. Our direct costs mainly include materials costs, subcontracting charges, staff costs and transportation expenses.

The following is a discussion of the changes in the key components of our direct costs for the six months ended 30 September 2016 compared to the six months ended 30 September 2017:

- (i) Our materials costs increased from approximately HK\$119.9 million for the six months ended 30 September 2016 to HK\$201.9 million for the six months ended 30 September 2017, representing an increase of approximately 68.4%. The increase was generally in line with the increase in revenue and was mainly due to the increase in volume of construction materials used for the projects during the six months ended 30 September 2017 as compared to the six months ended 30 September 2016.
- (ii) Our subcontracting charges increased from approximately HK\$36.4 million to HK\$107.7 million, representing an increase of approximately 195.9%. The significant increase was mainly due to (a) the increase in amount of works outsourced to subcontractors as a result of our growth in business for the six months ended 30 September 2017 as illustrated by the increase in our revenue as discussed above, in particular the increase in the number of relatively larger scale projects undertaken during the six months ended 30 September 2017; and (b) the relatively sizable projects that we undertook during the period for Customer Tysan in which we subcontracted out substantial portion of works to subcontractors due to the tight time schedule of the projects, resulting in subcontracting charges incurred by us for these projects during the six months ended 30 September 2017 that amounted to approximately HK\$36.7 million.
- (iii) Our staff costs remained relatively stable at approximately HK\$41.9 million for both six months ended 30 September 2016 and six months ended 30 September 2017. Despite the increase in the amount of works for the six months ended 30 September 2017, our staff costs remained stable due to the increase in use of subcontractors during the six months ended 30 September 2017 as discussed above.

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- (iv) Our transportation expenses increased from approximately HK\$26.3 million for the six months ended 30 September 2016 to HK\$27.4 million for the six months ended 30 September 2017, representing an increase of approximately 4.2%. Such increase was mainly due to the increase in the volume of excavated materials from piling and other construction wastes to be transported away from work sites due to the increase in the number of such projects during the six months ended 30 September 2017.

Gross profit and gross profit margin

Our gross profit amounted to approximately HK\$30.6 million and approximately HK\$56.0 million for the six months ended 30 September 2016 and the six months ended 30 September 2017 respectively, representing an increase of approximately 83.0%. The increase in our gross profit were primarily due to the increase in our revenue due to reasons discussed above.

Our gross profit margin for the six months ended 30 September 2017 was approximately 12.2% which was generally in line with the gross profit margin for FY2016/17 of approximately 12.0% as majority of the projects with significant revenue contribution for the six months ended 30 September 2017 were brought forward from FY2016/17.

Other income or loss, net

Our other income or loss (net) decreased from a net income of approximately HK\$1.7 million for the six months ended 30 September 2016 to a net income of approximately HK\$0.5 million for the six months ended 30 September 2017, representing a decrease of approximately 70.6%. Such difference was primarily because net gain of approximately HK\$1.1 million from change in fair value of financial assets at fair value through profit or loss was recognised for the six months ended 30 September 2016 while nil was recorded for the six months ended 30 September 2017.

Administrative expenses

Our administrative expenses increased from approximately HK\$4.2 million for the six months ended 30 September 2016 to approximately HK\$15.4 million for the six months ended 30 September 2017, representing an increase of approximately 266.7%. Such increase was mainly due to (i) non-recurring listing expenses of approximately HK\$9.2 million incurred during the six months ended 30 September 2017 (2016: nil); and (ii) the increase in our staff costs as a result of the increase in salary and benefits paid to our director and the increase in the number of headcounts under administration, accounting and finance during the six months ended 30 September 2017.

Finance costs

Our finance costs decreased from approximately HK\$317,000 for the six months ended 30 September 2016 to approximately HK\$168,000 for the six months ended 30 September 2017, which was primarily due to the decrease in the outstanding balances of bank loans and our finance leases liabilities upon our repayment.

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Income tax expense

Despite the recognition of listing expenses for the six months ended 30 September 2017, our profit before tax increased from approximately HK\$27.7 million for the six months ended 30 September 2016 to approximately HK\$41.0 million for the six months ended 30 September 2017 as a result of all of the aforesaid and in particular the increase in our revenue as discussed above.

Our income tax expense increased from approximately HK\$4.6 million for the six months ended 30 September 2016 to approximately HK\$8.3 million for the six months ended 30 September 2017 as a result of (i) the increase in profit before tax; and (ii) the tax effect of the non-deductible listing expense incurred for the six months ended 30 September 2017.

Profit and total comprehensive income for the year

Despite the recognition of listing expenses for the six months ended 30 September 2017 and the tax effect of the non-deductible listing expenses as explained above, our profit and total comprehensive income increased from approximately HK\$23.2 million for the six months ended 30 September 2016 to approximately HK\$32.6 million for the six months ended 30 September 2017, representing an increase of approximately 40.5% as a result of all of the aforesaid and in particular the increase in our gross profit as discussed above.

FY2016/17 compared with FY2015/16

Revenue

Our revenue decreased from approximately HK\$617.8 million for FY2015/16 to approximately HK\$593.6 million for FY2016/17, representing a decrease of 3.9%. Such decrease was mainly because:

- (i) There was a decrease in the number of projects with revenue contribution in FY2016/17, as demonstrated in the below table:

	FY2015/16	FY2016/17
	<i>No. of projects</i>	<i>No. of projects</i>
Projects brought forward from prior year	22	17
New projects awarded to us during the year	12	16
	<u>34</u>	<u>33</u>

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- (ii) As shown in the table in (i) above, the majority of projects for FY2015/16 were brought forward from FY2014/15 and completed during FY2015/16 with significant amount of revenue recognised in FY2015/16 while the majority of projects for FY2016/17 were new projects at their initial startup stage from which substantial amount of revenue was expected to be recognised closer to completion in the future financial years.

Direct costs

Our direct costs decreased from approximately HK\$553.9 million for FY2015/16 to approximately HK\$522.1 million for FY2016/17, representing a decrease of 5.7%, which was more than the decrease in our revenue by approximately 1.8 percentage points (and thus resulted in our higher gross profit margin). Our direct costs mainly include materials costs, subcontracting charges, staff costs and transportation expenses.

The following is a discussion of the changes in the key components of our direct costs in FY2015/16 compared to FY2016/17:

- (i) Our materials costs decreased from approximately HK\$312.3 million for FY2015/16 to approximately HK\$239.7 million for FY2016/17, representing a decrease of approximately 23.2%. Such decrease was mainly due to the decrease in volume of construction materials used for projects in FY2016/17 as compared to that in FY2015/16. In respect of 2 projects that we undertook for Customer Tysan (as referred to in the section headed “Business – Customers – Top customers” in this prospectus) in FY2015/16 with aggregate contract sums of approximately HK\$246.3 million, due to the scope of foundation works performed and the size of the construction sites, the materials costs contributed to approximately 50% of the total direct costs of those 2 projects. This contributed to our higher materials costs in FY2015/16.
- (ii) Our subcontracting charges increased from approximately HK\$83.1 million for FY2015/16 to approximately HK\$88.0 million for FY2016/17, representing an increase of approximately 5.9%. Such increase was mainly due to a relatively sizeable project that we undertook during the year for Customer Tysan (as referred to in the section headed “Business – Customers – Top customers” in this prospectus) in which we subcontract out substantial portion of works to subcontractors, resulting in subcontracting charges incurred by us for these projects during FY2016/17 that amounted to approximately HK\$10.2 million.
- (iii) Our staff costs increased from approximately HK\$73.0 million for FY2015/16 to approximately HK\$91.2 million for FY2016/17, representing an increase of approximately 24.9%. Such increase was mainly due to our increase in the use of our own labour resources (in particular, project-based workers directly employed by us such as machinery operators and director construction workers) in carrying out the works. As a result, our staff costs increased as we employed more project-based direct construction workers (who were employed for specific projects rather than as regular

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permanent employees), and there has also been an increase in our project management and supervision personnel such as foremen in FY2016/17 compared to FY2015/16.

- (iv) Our transportation expenses increased from approximately HK\$46.8 million for FY2015/16 to approximately HK\$64.6 million for FY2016/17, representing an increase of approximately 38.0%. Such increase was mainly due to the increase in the volume of excavated materials from piling and other construction wastes to be transported away from work sites for sizable projects in FY2016/17 which were mostly at their initial startup stage.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2015/16 and FY2016/17 respectively were as follows:

	FY2015/16	FY2016/17
Revenue (<i>HK\$'000</i>)	617,846	593,572
Gross profit (<i>HK\$'000</i>)	63,947	71,494
Gross profit margin	10.3%	12.0%

Our gross profit amounted to approximately HK\$63.9 million and approximately HK\$71.5 million for FY2015/16 and FY2016/17 respectively, representing an increase of approximately 11.8%, and our gross profit margin increase from approximately 10.3% in FY2015/16 to approximately 12.0% in FY2016/17. The increase in our gross profit and the increase in our gross profit margin was primarily due to the decrease in our direct costs due to reasons as discussed above.

Other income or loss, net

Our other income or loss (net) increased from a net loss of approximately HK\$1.2 million for FY2015/16 to a net income of approximately HK\$1.0 million for FY2016/17. Such difference was mainly because (i) gain on disposal of property, plant and equipment of HK\$140,000 was recognised in FY2015/16 while loss of HK\$294,000 was recognised in FY2016/17; (ii) net loss from change in fair value of investment property of HK\$280,000 was recognised in FY2015/16 while net gain of HK\$420,000 was recognised in FY2016/17; (iii) net loss from change in fair value of financial assets at fair value through profit or loss of HK\$60,000 was recognised in FY2015/16 while net gain of HK\$337,000 was recognised in FY2016/17; and (iv) one-off net loss on disposal of financial assets at fair value through profit or loss of HK\$1.5 million was recognised in FY2015/16 while only net loss of HK\$18,000 was recognised in FY2016/17.

Administrative expenses

Our administrative expenses increased from approximately HK\$9.1 million for FY2015/16 to approximately HK\$14.4 million for FY2016/17, representing an increase of approximately 58.2%. Such increase was mainly due to (i) non-recurring listing expenses of approximately

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HK\$3.5 million incurred in FY2016/17 (FY2015/16: nil); and (ii) the increase in our staff costs as a result of the increase in salary and benefits paid to our director and the increase in the number of headcounts under administration, accounting and finance in FY2016/17.

Finance costs

Our finance costs decreased from approximately HK\$795,000 for FY2015/16 to approximately HK\$691,000 for FY2016/17, which was primarily due to the decrease in the outstanding balances of bank loans and our finance leases liabilities upon our repayment.

Income tax expense

Despite the recognition of listing expenses for FY2016/17, our profit before tax increased from approximately HK\$52.9 million for FY2015/16 to approximately HK\$57.4 million for FY2016/17 as a result of all of the aforesaid and in particular the increase in our gross profit as discussed above.

Our income tax expense increased from approximately HK\$8.8 million for FY2015/16 to approximately HK\$10.1 million for FY2016/17 as a result of (i) the increase in profit before tax; and (ii) the tax effect of the non-deductible listing expense incurred in FY2016/17.

Profit and total comprehensive income for the year

Despite the recognition of listing expenses in FY2016/17 and the tax effect of the non-deductible listing expenses as explained above, our profit and total comprehensive income increased from approximately HK\$44.0 million for FY2015/16 to approximately HK\$47.3 million for FY2016/17, representing an increase of approximately 7.5% as a result of all of the aforesaid and in particular the increase in our gross profit as discussed above.

FY2015/16 compared with FY2014/15

Revenue

Our revenue increased from approximately HK\$467.3 million for FY2014/15 to approximately HK\$617.8 million for FY2015/16, representing an increase of 32.2%. Such increase was mainly because:

- (i) We increased our efforts in pursuing projects of relatively larger scale and higher income. We recorded an increase in our revenue derived from foundation projects of relatively larger scale and higher income as illustrated in the table below:

	FY2014/15	FY2015/16
	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised		
HK\$10 million or above	9	13
HK\$1 million to below HK\$10 million	17	10
Below HK\$1 million	17	11
	<hr/>	<hr/>
	43	34
	<hr/> <hr/>	<hr/> <hr/>

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- (ii) We made substantial investments in machinery in FY2014/15 and FY2015/16. We acquired more machinery (see “Business – Machinery” in this prospectus) which has increased our overall capacity and efficiency. As a result, these investments allowed us to pursue more projects of larger scale and higher income.
- (iii) We experienced an increase in demand for our services from customers as evidenced by the increase in tender success rate, which, in the opinion of our Directors, was a result of the good business relationship with our customers and our proven track record as a quality contractor in handling foundation work. The tender success rate increased from approximately 8.0% for FY2014/15 to 21.5% for FY2015/16 and the quotation success rate increased from approximately 9.4% for FY2014/15 to 10.5% for FY2015/16.

Direct costs

Our direct costs increased from approximately HK\$443.1 million for FY2014/15 to approximately HK\$553.9 million for FY2015/16, representing an increase of 25.0%, which was lower than the increase in our revenue by approximately 7.2 percentage points (and thus resulted in our higher gross profit margin). The following is a discussion of the changes in the key components of our direct costs in FY2014/15 compared to FY2015/16:

- (i) Our cost of direct materials increased from approximately HK\$209.5 million to HK\$312.3 million, representing an increase of 49.1%. The significant increase in our cost of materials was mainly because of the increase in volume of construction materials used for projects in FY2015/16 as compared to that in FY2014/15. In respect of 2 projects that we undertook for Customer Tysan in FY2015/16 with aggregate contract sums of approximately HK\$246.3 million, due to the scope of foundation works performed and the size of the construction sites, the materials costs contributed to approximately 50% of the total direct costs of those 2 projects. This contributed to our higher materials costs in FY2015/16.
- (ii) Our subcontracting charges increased from approximately HK\$69.5 million to approximately HK\$83.1 million, representing an increase of approximately 19.6%. Such increase was mainly due to the increase in amount of works outsourced to subcontractors as a result of our growth in business in FY2015/16 as illustrated by the increase in our revenue as discussed above.
- (iii) Our direct staff costs increased from approximately HK\$70.2 million to HK\$73.0 million, representing an increase of approximately 4.0%. Such increase was mainly due to the increase in the number of our machinery operators and direct construction workers in FY2015/16 compared with FY2014/15 in order to increase our overall capacity and efficiency and to cope with our business growth.

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- (iv) Our transportation expenses decreased from approximately HK\$56.0 million for FY2014/15 to approximately HK\$46.8 million for FY2015/16, representing a decrease of approximately 16.4%. Such decrease was mainly due to the decrease in the volume of excavated materials from piling and other construction wastes to be transported away from work sites for sizable projects in FY2015/16 which were mostly at their completion stage.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2014/15 and FY2015/16 respectively were as follows:

	FY2014/15	FY2015/16
Revenue (<i>HK\$'000</i>)	467,302	617,846
Gross profit (<i>HK\$'000</i>)	24,233	63,947
Gross profit margin	5.2%	10.3%

Our gross profit amounted to approximately HK\$24.2 million and approximately HK\$63.9 million for FY2014/15 and FY2015/16 respectively, representing an increase of approximately 164.0%, while our gross profit margin increased from approximately 5.2% in FY2014/15 to approximately 10.3% in FY2015/16. The lower gross profit margin for FY2014/15 was mainly because we have made substantial investments in machinery and equipment and hired additional construction workers during FY2014/15 for business expansion. The increase in our gross profit and our gross profit margin for FY2015/16 were primarily due to (i) the increase in our revenue due to reasons discussed above and in particular because the aforesaid investments enabled us to undertake more projects of larger scale and value; and (ii) we set our quotations and tender prices based on a relatively higher expected margin in FY2015/16 in view of the increased demand for our services. As illustrated above, we undertook more projects of relatively larger scale and higher income, therefore resulting in higher gross profit margin in FY2015/16 as compared to FY2014/15.

Other income or loss, net

Our other income or loss (net) changed from a net income of approximately HK\$1.1 million for FY2014/15 to a net loss of approximately HK\$1.2 million for FY2015/16. Such difference was mainly because (i) net gain from change in fair value of investment property of HK\$520,000 was recognised in FY2014/15 while net loss of HK\$280,000 was recognised in FY2015/16; and (ii) net gain on disposal of financial assets at fair value through profit or loss of HK\$59,000 was recognised in FY2014/15 while net loss of HK\$1.5 million was recognised in FY2015/16.

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Administrative expenses

Our administrative expenses increased from approximately HK\$8.2 million for FY2014/15 to approximately HK\$9.1 million for FY2015/16, representing an increase of approximately 11.0%. Such increase was mainly due to (i) the increase in our staff costs as a result of the increase in salary and benefits paid to our administrative staff; and (ii) the increase in entertainment expenses to build up relationship with potential customers.

Finance costs

Our finance costs increased from approximately HK\$574,000 for FY2014/15 to approximately HK\$795,000 for FY2015/16, which was primarily due to the substantial purchase of machinery under finance leases arrangements during FY2014/15.

Income tax expense

For each of FY2014/15 and FY2015/16, our income tax expenses amounted to approximately HK\$2.8 million and HK\$8.8 million respectively, representing an increase of approximately 214.0%. Such increase was primarily due to the increase in our profit before tax from approximately HK\$16.6 million in FY2014/15 to approximately HK\$52.9 million in FY2015/16, representing an increase of 218.7%, mainly due to our increases in revenue and gross profit as discussed above.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately HK\$13.8 million in FY2014/15 to approximately HK\$44.0 million in FY2015/16, representing an increase of approximately 218.8%.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital needs, fund the repayments due on our indebtedness and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 30 November 2017, we had cash and bank balances of approximately HK\$37.7 million and unutilised banking facilities of approximately HK\$10.5 million.

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Cash flows

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

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash generated from operating activities	25,021	12,896	81,135	71,953	129
Net cash (used in)/generated from investing activities	(9,511)	(8,451)	712	(8,199)	(1,841)
Net cash used in financing activities	<u>(4,597)</u>	<u>(5,643)</u>	<u>(52,654)</u>	<u>(35,332)</u>	<u>(2,135)</u>
Net increase/(decrease) in cash and cash equivalents	10,913	(1,198)	29,193	28,422	(3,847)
Cash and cash equivalents and bank overdraft at beginning of year/period	<u>(2,233)</u>	<u>8,680</u>	<u>7,482</u>	<u>7,482</u>	<u>36,675</u>
Cash and cash equivalents and bank overdraft at end of year/period	<u><u>8,680</u></u>	<u><u>7,482</u></u>	<u><u>36,675</u></u>	<u><u>35,904</u></u>	<u><u>32,828</u></u>

Cash flows from operating activities

Our operating cash inflows is primarily derived from our revenue from the provision of foundation works services, whereas our operating cash outflows mainly includes payment for purchase of materials, subcontracting charges, staff costs, as well as other working capital needs. Net cash generated from operating activities primarily consisted of profit before income tax adjusted for depreciation, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial assets through profit or loss, change in fair value of financial assets at fair value through profit or loss, change in fair value of investment property, dividend income and finance costs and the effect of changes in working capital such as changes in trade and other receivables, trade and other payables, amounts due from or to customers on construction contracts, amounts due from or to a director and income tax paid.

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The following table sets forth a reconciliation of our profit before income tax to net cash generated from operating activities:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i>
Profit before income tax	16,621	52,866	57,400	27,738	40,957
Adjustments for:					
Depreciation	9,259	11,954	10,949	6,026	5,227
(Gain)/loss on disposal of property, plant and equipment	(320)	(140)	294	75	–
(Gain)/loss on disposal of financial assets at fair value through profit or loss	(59)	1,519	18	–	(217)
Change in fair value of financial assets at fair value through profit or loss	176	60	(337)	(1,072)	–
Change in fair value of investment property	(520)	280	(420)	(290)	(240)
Dividend income	(275)	(370)	(375)	(322)	(13)
Finance costs	574	795	691	317	168
Operating profit before working capital changes	25,456	66,964	68,220	32,472	45,882
Increase in trade and other receivables	(14,047)	(4,004)	(30,173)	(10,425)	(33,478)
(Increase)/decrease in amounts due from customers on construction contracts	(28,893)	19,263	27,568	22,998	(20,442)
Increase/(decrease) in trade and other payables	25,872	(14,500)	(4,600)	(973)	8,627
Increase/(decrease) in amounts due to customers on construction contracts	1,438	(620)	83	692	55
Decrease/(increase) in amounts due from/to a director	15,733	(51,479)	37,855	27,233	(134)
Cash generated from operations	25,559	15,624	98,953	71,997	510
Income tax paid	(538)	(2,728)	(17,818)	(44)	(381)
Net cash generated from operating activities	25,021	12,896	81,135	71,953	129

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For FY2014/15, we recorded profit before income tax of approximately HK\$16.6 million and net cash generated from operating activities of approximately HK\$25.0 million. The difference was mainly due to (i) the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 31 March 2015; and (ii) the cash advances by Mr. Yip to our Group for working capital purpose. Please refer to the paragraph headed “Amounts due from/to a director” in this section for further details.

For FY2015/16, we recorded profit before income tax of approximately HK\$52.9 million and net cash generated from operating activities of approximately HK\$12.9 million. The difference was mainly due to the cash advances by our Group to Mr. Yip for personal use. Please refer to the paragraph headed “Amounts due from/to a director” in this section respectively for further details.

For FY2016/17, we recorded profit before income tax of approximately HK\$57.4 million and net cash generated from operations of approximately HK\$81.1 million. The difference was mainly due to the cash inflow from the settlement of amount due from Mr. Yip to our Group.

For the six months ended 30 September 2016, we recorded profit before income tax of approximately HK\$27.7 million and net cash generated from operations of approximately HK\$72.0 million. The difference was mainly due to (i) the cash inflow from the settlement of amount due from Mr. Yip to our Group and (ii) the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 30 September 2016.

For the six months ended 30 September 2017, we recorded profit before income tax of approximately HK\$41.0 million and net cash generated from operations of approximately HK\$129,000. The difference was mainly due to the amount and timing of billing to and receipts from our customers as well as the amount and timing of payments to our suppliers as at 30 September 2017.

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Cash flows from investing activities

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Purchase of property, plant and equipment	(6,841)	(5,518)	(7,471)	(7,016)	(4,660)
Proceeds from disposal of property, plant and equipment	320	140	390	390	–
Purchases of financial assets at fair value through profit or loss	(4,242)	(17,602)	(14,178)	(1,895)	–
Proceeds from disposal of financial assets at fair value through profit or loss	977	14,159	21,596	–	2,806
Dividend received	275	370	375	322	13
Net cash (used in)/generated from investing activities	<u>(9,511)</u>	<u>(8,451)</u>	<u>712</u>	<u>(8,199)</u>	<u>(1,841)</u>

During the Track Record Period, our cash inflows from investing activities primarily include cash generated from dividend received from financial assets at fair value through profit or loss (being unlisted investment funds purchased from a bank in Hong Kong and certain listed equity investments in Hong Kong), proceeds from disposal of our property, plant and equipment and proceeds from disposal of our financial assets at fair value through profit or loss, whereas our cash outflows from investing activities primarily include cash used in the purchase of property, plant and equipment and purchases of financial assets at fair value through profit or loss.

For FY2014/15, we recorded net cash used in investing activities of approximately HK\$9.5 million, which was primarily attributable to cash used in our purchase of property, plant and equipment such as excavators and cranes and purchases of financial assets at fair value through profit or loss.

For FY2015/16 and FY2016/17, we recorded net cash used in investing activities of approximately HK\$8.5 million and net cash generated from investing activities of approximately HK\$0.7 million, which was primarily attributable to cash used in our purchase of property, plant and equipment such as excavators and cranes and purchase of financial assets at fair value through profit or loss, net off by proceeds from disposal of financial assets at fair value through profit or loss.

For the six months ended 30 September 2016, we recorded net cash used in investing activities of approximately HK\$8.2 million, which was primarily attributable to cash used in our purchase of property, plant and equipment such as excavators and cranes and purchase of

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financial assets at fair value through profit or loss. For the six months ended 30 September 2017, we recorded net cash used in investing activities of approximately HK\$1.8 million, which was primarily attributable to cash used in our purchase of property, plant and equipment such as excavator and cranes, net off by proceeds from disposal of financial assets at fair value through profit or loss.

Cash flows from financing activities

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2016	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Dividends paid	–	–	(46,725)	(34,350)	–
Addition of borrowings	–	–	2,300	2,300	–
Repayment of borrowings	(3,663)	(2,259)	(3,536)	(1,575)	(839)
Repayment of finance lease liabilities	(360)	(2,589)	(4,002)	(1,390)	(1,128)
Interests paid	(574)	(795)	(691)	(317)	(168)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(4,597)	(5,643)	(52,654)	(35,332)	(2,135)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the Track Record Period, our cash outflows from financing activities includes dividends paid, repayment of borrowings, repayment of finance lease liabilities and interests paid.

For FY2014/15, we recorded net cash used in financing activities of approximately HK\$4.6 million, which was mainly attributable to the repayment of borrowings.

For FY2015/16, we recorded net cash used in financing activities of approximately HK\$5.6 million, which was primarily attributable to the repayment of finance lease liabilities in respect of our machinery and motor vehicles, and repayment of borrowings.

For FY2016/17, we recorded net cash used in financing activities of approximately HK\$52.7 million, which was mainly attributable to the dividends paid and the repayment of finance lease liabilities in respect of our machinery and motor vehicles.

For the six months ended 30 September 2016, we recorded net cash used in financing activities of approximately HK\$35.3 million, which was mainly due to the dividends paid and the repayment of financial lease liabilities in respect of our machinery and motor vehicles.

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For the six months ended 30 September 2017, we recorded net cash used in financing activities of approximately HK\$2.1 million, which was primarily attributable to the repayment of financial lease liabilities in respect of our machinery and motor vehicles and the repayment of borrowings.

Capital expenditures

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our Group incurred capital expenditures of approximately HK\$20.1 million, HK\$6.2 million, HK\$7.5 million and HK\$4.7 million respectively, as set out below:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Furniture, fixtures and equipment	75	10	455	–
Plant and machinery	17,573	4,712	7,016	4,660
Motor vehicles	2,439	1,496	–	–
	20,087	6,218	7,471	4,660
	20,087	6,218	7,471	4,660

Our Group's capital expenditures primarily consisted of purchase of machinery for use in our business operations. Our Directors consider that continued investments in machinery are necessary in order to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers. As such, we plan to further enhance our machinery by acquiring additional machinery in the future, further information of which is disclosed in the sections headed "Business – Business strategies" and "Future plans and use of proceeds" in this prospectus. Our Group plans to finance future capital expenditures primarily through the net proceeds from the Share Offer, finance lease arrangements as well as cash flows generated from operations.

Working capital

Our Directors are of the opinion that, taking into consideration our internal resources, available banking facilities, cash generated from our operations, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

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NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>	As at 30 November 2017 <i>HK\$'000</i> (unaudited)
Current assets					
Trade and other receivables	44,778	48,782	79,345	112,823	93,921
Amount due from a director	–	36,628	–	–	–
Amounts due from customers on construction contracts	77,938	58,675	31,107	51,549	66,947
Financial assets at fair value through profit or loss	7,824	9,688	2,589	–	–
Cash and bank balances	11,514	7,482	36,675	32,828	37,741
Total current assets	<u>142,054</u>	<u>161,255</u>	<u>149,716</u>	<u>197,200</u>	<u>198,609</u>
Current liabilities					
Trade and other payables	52,668	38,168	33,568	42,195	44,596
Borrowings, secured	7,224	2,131	895	56	19
Obligation under finance leases	2,515	2,809	2,285	2,344	2,364
Amount due to a director	17,851	3,000	4,227	4,093	3,901
Amounts due to customers on construction contracts	1,630	1,010	1,093	1,148	1,098
Tax payable	1,559	8,371	1,023	9,125	10,187
Total current liabilities	<u>83,447</u>	<u>55,489</u>	<u>43,091</u>	<u>58,961</u>	<u>62,165</u>
Net current assets	<u><u>58,607</u></u>	<u><u>105,766</u></u>	<u><u>106,625</u></u>	<u><u>138,239</u></u>	<u><u>136,444</u></u>

As at 31 March 2015, 2016 and 2017 and 30 September 2017, our net current assets amounted to approximately HK\$58.6 million, approximately HK\$105.8 million, approximately HK\$106.6 million and approximately HK\$138.2 million respectively. The increase in our net current assets was mainly due to the increase in our trade and other receivables the increase in cash and bank balances as a result of our business growth during the Track Record Period, and the decrease in our current liabilities as a result of, among other things, (i) the decrease in trade

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and other payables because we settled our trade payables within the granted credit period in order to maintain sustainable business relationship with various suppliers; and (ii) the decrease in secured borrowings and amount due to a director because our Group made repayments to the bank and the director with the increase in cash flow generated from our operations during the Track Record Period.

As at 30 November 2017, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$136.4 million while the net current assets as at 30 September 2017 amounted to approximately HK\$138.2 million, such decrease was mainly due to the increase in our current liabilities as a result of the increase in our trade and other payables because of our business growth resulting in the increase in our costs incurred for subcontracting services and purchase of materials as at 30 November 2017.

As at 30 November 2017, we recorded amounts due from customers on construction contracts of HK\$66.9 million. In respect of such amounts, progress billings of approximately HK\$64.7 million had subsequently taken place, and HK\$38.5 million had been fully settled by the relevant customers as at the Latest Practicable Date.

DISCUSSION ON SELECTED BALANCE SHEET ITEMS

Trade and other receivables

Our trade and other receivables as at 31 March 2015, 2016, 2017 and 30 September 2017 amounted to approximately HK\$44.8 million, approximately HK\$48.8 million, approximately HK\$79.3 million and approximately HK\$112.8 million respectively. The following table sets forth a breakdown of our trade and other receivables:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Trade receivables	18,884	17,988	37,366	52,352
Retention receivables	25,583	30,097	38,230	56,231
Other receivables, utility and other deposits and prepayments	311	697	3,359	3,850
Amount due from ultimate holding company	–	–	390	390
	44,778	48,782	79,345	112,823

Trade receivables

Our trade receivables decreased from approximately HK\$18.9 million as at 31 March 2015 to approximately HK\$18.0 million as at 31 March 2016. Our trade receivables increased to HK\$37.4 million as at 31 March 2017 and further increased to approximately HK\$52.4 million

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as at 30 September 2017. Such fluctuation was primarily due to (i) our business growth as evidenced by our increase in revenue; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Retention receivables

When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally equivalent to 10% of the value of works done and subject to a maximum of 5% of the total contract sum. Normally, half of the retention money is released upon the completion of the projects and the remaining half is released upon expiry of the defects liability period. As at 31 March 2015, 2016, 2017 and 30 September 2017, our retention receivables amounted to approximately HK\$25.6 million, HK\$30.1 million, HK\$38.2 million and HK\$56.2 million respectively. Such increase was primarily due to (i) our business growth as evidenced by our increase in revenue; and (ii) the increase in the number of our projects with large contract sums which normally require a longer time to complete resulting in the release of retention money at a later date.

Other receivables, utility and other deposits and prepayments

Our other receivables, utility and other deposits and prepayments increased from approximately HK\$0.3 million as at 31 March 2015 to approximately HK\$0.7 million as at 31 March 2016, and further increased to approximately HK\$3.4 million as at 31 March 2017. The relatively substantial increase to approximately HK\$3.4 million as at 31 March 2017 was mainly due to the effect of the prepayment of expenses in relation to the Listing.

Our other receivables, utility and other deposits and prepayments increased to approximately HK\$3.9 million as at 30 September 2017. Up to the Latest Practicable Date, approximately 2.3% of our other receivables, deposits and prepayments as at 30 September 2017 had been settled or utilised.

Amount due from ultimate holding company

The amount due from ultimate holding company is unsecured, interest-free and repayable on demand. All outstanding balance has been fully settled as at the Latest Practicable Date.

Concentration

As at 31 March 2015, 2016, 2017 and 30 September 2017, there were 1, 1, 2 and 2 customer(s) which individually contributed over 10% of our trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 85.4%, 87.9%, 96.3% and 85.7% of our total trade and other receivables as at 31 March 2015, 2016, 2017 and 30 September 2017 respectively. For further information

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regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business – Customers – Customer concentration" in this prospectus.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Trade receivables turnover days (Note)	12.3 days	10.9 days	17.0 days	17.9 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables, other receivables, deposits and prepayments, and amount due from ultimate holding company) divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017)

The credit period that we granted to customers generally ranged from 28 to 45 days. Our trade receivables turnover days were approximately 12.3 days for FY2014/15, approximately 10.9 days for FY2015/16, approximately 17.0 days for FY2016/17 and approximately 17.9 days for the six months ended 30 September 2017. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Trade receivables and retention receivables ageing analysis and subsequent settlement

The ageing analysis of our trade receivables based on invoice date is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
0–30 days	17,684	17,988	37,366	36,044
31–60 days	1,200	–	–	16,308
	18,884	17,988	37,366	52,352

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The ageing analysis of our retention receivables based on invoice date is as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Due within one year	25,136	28,848	30,581	38,037
Due after one year	447	1,249	7,649	18,194
	<u>25,583</u>	<u>30,097</u>	<u>38,230</u>	<u>56,231</u>

The ageing analysis of our trade receivables which were past due but not impaired is as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Neither past due nor impaired	17,684	17,988	37,366	37,393
Less than 30 days past due	1,200	–	–	14,959
	<u>18,884</u>	<u>17,988</u>	<u>37,366</u>	<u>52,352</u>

As shown in the above table, approximately 71.4% of our trade receivables as at 30 September 2017 were neither past due nor impaired.

Up to the Latest Practicable Date, all of our trade receivables as at 30 September 2017 had been settled:

	Trade receivable as at 30 September 2017 <i>HK\$'000</i>	Subsequent settlement up to the Latest Practicable Date <i>HK\$'000</i>	%
Neither past due nor impaired	37,393	37,393	100.0
Less than 30 days past due	14,959	14,959	100.0
	<u>52,352</u>	<u>52,352</u>	100.0

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Up to the Latest Practicable Date, 11.8% of our retention receivables as at 30 September 2017 had been settled.

Trade and other payables

Our trade and other payables as at 31 March 2015, 2016, 2017 and 30 September 2017 amounted to approximately HK\$52.7 million, approximately HK\$38.2 million, approximately HK\$33.6 million and approximately HK\$42.2 million respectively. The following table sets forth a breakdown of our trade and other payables:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Trade payables	52,233	37,682	31,535	38,002
Accruals and other payables	435	486	2,033	4,193
	52,668	38,168	33,568	42,195
	52,668	38,168	33,568	42,195

Trade payables

Our trade payables mainly comprised payables to subcontractors and suppliers of transportation services machinery rental and fuels.

Our trade payables decreased from approximately HK\$52.2 million as at 31 March 2015 to HK\$37.7 million as at 31 March 2016, and further decreased to approximately HK\$31.5 million as at 31 March 2017, mainly because we settled our trade payables within the granted credit period in order to maintain sustainable business relationship with various suppliers, which was evidenced by the decrease in trade payables turnover days below. Our trade payable increased to approximately HK\$38.0 million as at 30 September 2017, mainly due to our business growth resulting in the increase in our costs incurred for subcontracting services and purchase of materials.

Accruals and other payables

Our accruals and other payables mainly include accruals for salaries and allowances of staff, accruals for audit fee and accruals for expenses in relation to the Listing.

Our accruals and other payables maintained at similar level as at 31 March 2015 and 31 March 2016 while increased from approximately HK\$0.5 million as at 31 March 2016 to approximately HK\$2.0 million as at 31 March 2017. Our accruals and other payables further increased to approximately HK\$4.2 million as at 30 September 2017, which was mainly due to the accruals for expenses in relation to the Listing in FY2016/17.

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Trade payables turnover days

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
Trade payables turnover days (<i>Note</i>)	32.4 days	29.6 days	24.2 days	15.9 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables) divided by direct costs for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017).

Our trade payables turnover days was approximately 32.4 days for FY2014/15, approximately 29.6 days for FY2015/16, approximately 24.2 days for FY2016/17 and approximately 15.9 days for the six months ended 30 September 2017. Such decrease was mainly because we settled our trade payables within the granted credit period in order to maintain sustainable business relationship with various suppliers.

Trade payables ageing analysis and subsequent settlement

The following table sets forth an ageing analysis of trade payables based on the invoice dates:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
0–30 days	46,527	37,682	31,535	38,002
31–60 days	5,667	–	–	–
61–90 days	37	–	–	–
Over 90 days	2	–	–	–
	52,233	37,682	31,535	38,002

Up to the Latest Practicable Date, all of our trade payables as at 30 September 2017 had been settled.

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Amounts due from/to customers on construction contracts

We present the gross amounts due from customers for contract work as an asset for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

We present the gross amounts due to customers for contract work as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

The following table sets forth a breakdown of our gross amounts due from and to customers on construction contracts as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	751,298	762,937	390,032	798,889
Less: progress billings	<u>(674,990)</u>	<u>(705,272)</u>	<u>(360,018)</u>	<u>(748,488)</u>
Contract work-in-progress	<u>76,308</u>	<u>57,665</u>	<u>30,014</u>	<u>50,401</u>
Analysed for reporting purposes as:				
Amounts due from customers on construction contracts	77,938	58,675	31,107	51,549
Amounts due to customers on construction contracts	<u>(1,630)</u>	<u>(1,010)</u>	<u>(1,093)</u>	<u>(1,148)</u>
	<u><u>76,308</u></u>	<u><u>57,665</u></u>	<u><u>30,014</u></u>	<u><u>50,401</u></u>

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Settlement of such amounts

In respect of the amounts due from customers on construction work of approximately HK\$77.9 million, HK\$58.7 million and HK\$31.1 million as at 31 March 2015, 2016 and 2017 respectively, progress billings had subsequently taken place during the Track Record Period, and all of such amounts had been fully settled by the relevant customers during the Track Record Period.

Of the amounts due from customers on construction work of approximately HK\$51.5 million as at 30 September 2017, progress billings had subsequently taken place, and all of such amounts had been fully settled by the relevant customers as at the Latest Practicable Date.

Amounts due from/to a director

Details of the amounts due from/to a director are summarised in note 17 to the accountants' report set out in Appendix I to this prospectus. The amount due to a director as at each financial year end included a subordinated loan from Mr. Yip with a carrying amount of HK\$3 million, which is unsecured, non-interest bearing and repayable on demand. The subordinated loan was arranged upon the request of the bank such that as long as any sum owing by Kit Kee Engineering to the bank remains outstanding, the subordinated loan shall not be fully repaid. Such arrangement will be released and the subordinated loan will be repaid by us upon the Listing.

The amounts due from/to a director are non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the Track Record Period, such amounts represented either cash advanced by our Group to Mr. Yip for personal use or cash advanced by Mr. Yip to our Group for working capital purpose. All outstanding balance will be fully settled upon the Listing.

Investment property

The following table sets forth the value of our investment property as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
At fair value				
Carrying amount at 1 April	3,360	3,880	3,600	4,020
Changes in fair value recognised in profit or loss	520	(280)	420	240
Carrying amount at 31 March/ 30 September	<u>3,880</u>	<u>3,600</u>	<u>4,020</u>	<u>4,260</u>

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Our investment property is a residential property in Hong Kong owned to earn rental income. It is measured using the fair value model and is classified and accounted for as investment property. For further information on the valuation of the investment property, please refer to Appendix III to this prospectus.

The table below shows a reconciliation of the fair value of our investment property as reflected in our consolidated financial information as at 30 September 2017 as set out in Appendix I to this prospectus with the fair value of our investment property as at 30 November 2017 as set out in Appendix III to this prospectus:

	<i>HK\$'000</i>
Fair value of our investment property as at 30 September 2017	4,260
Net gain from change in fair value	<u>30</u>
Fair value of our investment property as at 30 November 2017	<u><u>4,290</u></u>

During the Track Record Period, our investment property was leased out for rental income. For the details of our investment property, please refer to section headed “Business – Properties – Owned property” in this prospectus.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Unlisted investment funds, at fair value	7,824	2,253	2,589	–
Listed equity investments in Hong Kong	<u>–</u>	<u>7,435</u>	<u>–</u>	<u>–</u>
Carrying amount at 31 March/ 30 September	<u><u>7,824</u></u>	<u><u>9,688</u></u>	<u><u>2,589</u></u>	<u><u>–</u></u>

Financial assets at fair value through profit or loss were unlisted investment funds purchased from a bank in Hong Kong and securities listed on the Stock Exchange, which were purchased with our idle funds prior to and during the Track Record Period and held for trading purposes.

We have disposed all financial assets at fair value through profit or loss. Our Group does not have any intention to engage in any trading or speculative activities in securities or financial products in the future.

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INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 30 November 2017, being the latest practicable date for this indebtedness statement, save as disclosed under this paragraph headed "Indebtedness", we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities or guarantees. Our Directors confirm that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirm that there has not been any material change in our indebtedness or contingent liabilities since 30 November 2017 and up to the date of this prospectus. Our Directors confirm that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>	As at 30 November 2017 <i>HK\$'000</i> (unaudited)
Current liabilities					
Borrowings, secured	7,224	2,131	895	56	19
Obligation under finance leases	2,515	2,809	2,285	2,344	2,364
Amount due to a director	<u>17,851</u>	<u>3,000</u>	<u>4,227</u>	<u>4,093</u>	<u>3,901</u>
	<u>27,590</u>	<u>7,940</u>	<u>7,407</u>	<u>6,493</u>	<u>6,284</u>
Non-current liabilities					
Obligation under finance leases	<u>10,372</u>	<u>8,189</u>	<u>4,711</u>	<u>3,524</u>	<u>3,122</u>
	<u><u>37,962</u></u>	<u><u>16,129</u></u>	<u><u>12,118</u></u>	<u><u>10,017</u></u>	<u><u>9,406</u></u>

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Banking facilities

As at 30 November 2017, we have existing banking facilities provided by a bank in Hong Kong, comprising:

- (i) bank overdrafts to the extent of HK\$7.5 million;
- (ii) straight line loans to the extent of approximately HK\$19,000;
- (iii) revolving loan to the extent of HK\$3.0 million; and
- (iv) hire purchase facilities to the extent of approximately HK\$5.8 million.

These banking facilities are subject to repayment on demand clause.

These banking facilities are secured by (i) charges on our investment property situated in Hong Kong; (ii) charges on personal properties of Mrs. Yip; (iii) unlimited personal guarantee provided by Mr. Yip; (iv) assignment of key-person life insurance policies covering Mr. Yip with aggregate insured sum of approximately HK\$10.0 million; and (v) guarantee to the extent of HK\$5.6 million granted by the Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

In relation to our existing banking facilities, the following securities will be released and replaced by our Company's corporate guarantee and pledged deposits upon Listing: (i) charges on personal properties of Mrs. Yip; (ii) unlimited personal guarantee provided by Mr. Yip; and (iii) assignment of certain insurance policies covering Mr. Yip with aggregate insured sum of approximately HK\$10.0 million.

Borrowings, secured

Our Group's secured borrowings comprise secured bank overdrafts and secured bank loans which were primarily used in financing the working capital requirement of our operating activities. With the increase in cash flow generated from our operations, our Group made repayments to the bank during the Track Record Period, which led to the decrease in our secured borrowings.

Our Group has secured bank overdrafts of approximately HK\$2.8 million, nil, nil, nil and nil as at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, respectively. All secured bank overdrafts is repayable on demand and were denominated in HKD.

Our Group has secured bank loans of approximately HK\$4.4 million, HK\$2.1 million, HK\$0.9 million, HK\$56,000 and HK\$19,000 as at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, respectively. All secured bank loans were subject to repayment on demand clause and are therefore classified as current liabilities.

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As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, the effective interest rates of the secured bank overdrafts and secured bank loans ranged from HKD best lending rate (“P”) minus 2.5% per annum to P plus 1% per annum.

As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, our Group had secured borrowings repayable in accordance to the scheduled repayment dates as set out in the loan agreements as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>	As at 30 November 2017 <i>HK\$'000</i> (unaudited)
Within one year	5,093	1,623	895	56	19
After one year but within two years	1,623	508	–	–	–
After two years but within five years	508	–	–	–	–
	<u>7,224</u>	<u>2,131</u>	<u>895</u>	<u>56</u>	<u>19</u>

Obligation under finance leases

During the Track Record Period, we purchased certain machinery and motor vehicles by way of finance lease arrangements. Under these finance lease arrangements, our creditors purchased the machinery and motor vehicles from the suppliers or us (as the case may be) and leased back those machinery and motor vehicles to us at stipulated monthly rents in a fixed term. Under such arrangements, we were given the options to purchase the machinery and motor vehicles for nominal amounts at the end of the respective lease terms.

Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the machinery and motor vehicles to our Group as the lessee, the relevant machinery and motor vehicles were accounted for as our Group’s assets under the category of property, plant and equipment.

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At 31 March 2015, 2016, 2017, 30 September and 30 November 2017, our Group had obligations under finance leases repayable as follows:

	As at 31 March 2015		As at 31 March 2016		As at 31 March 2017		As at 30 September 2017		As at 30 November 2017	
	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payment HK\$'000	Total minimum lease payments HK\$'000
Within one year	2,515	3,096	2,809	3,290	2,285	2,577	2,344	2,577	2,364	2,577
After one year but within two years	2,634	3,096	2,928	3,290	2,404	2,577	2,463	2,577	2,483	2,577
After two years but within five years	7,738	8,337	5,261	5,548	2,307	2,362	1,061	1,072	639	644
	12,887	14,529	10,998	12,128	6,996	7,516	5,868	6,226	5,486	5,798
Less: total future interest expenses		(1,642)		(1,130)		(520)		(358)		(312)
Present value of lease obligations		<u>12,887</u>		<u>10,998</u>		<u>6,996</u>		<u>5,868</u>		<u>5,486</u>

As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, the effective interest rates ranged from 5.01% to 5.21% per annum for our finance leases facilities.

Our finance leases were secured by certain machinery and motor vehicles. As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, the net book value of our plant and machinery and motor vehicles under finance leases amounted to approximately HK\$11.2 million, approximately HK\$7.1 million, approximately HK\$2.1 million, approximately HK\$843,000 and approximately HK\$449,000 respectively, representing approximately 48.1%, 40.3%, 15.6%, 6.5% and 2.3% respectively of the total net book value of our plant and machinery and motor vehicles as at the respective dates.

Amount due to a director

Our Group had an amount due to Mr. Yip of approximately HK\$17.9 million, HK\$3.0 million, HK\$4.2 million, HK\$4.1 million and HK\$3.9 million, which included a subordinated loan from Mr. Yip with a carrying amount of HK\$3.0 million, as at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, respectively. The amount due to Mr. Yip was cash advanced by Mr. Yip to our Group for working capital purpose. The amount due to Mr. Yip was unsecured, non-interest bearing and repayable on demand. As at the Latest Practicable Date, the amount due to Mr. Yip only represented the subordinated loan from Mr. Yip with a carrying amount of HK\$3.0 million. The subordinated loan was arranged upon the request of the bank

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such that as long as any sum owing by Kit Kee Engineering to the bank remains outstanding, the subordinated loan shall not be fully repaid. Such arrangement will be released and the subordinated loan will be repaid by us upon the Listing.

Operating lease commitments

Group as lessee

As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, the total future minimum lease payments payable by our Group (as lessee) under non-cancellable operating lease is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000	As at 30 November 2017 HK\$'000 (unaudited)
Within one year	–	–	510	141	738
In the second to fifth years	–	–	–	–	18
	<u>–</u>	<u>–</u>	<u>510</u>	<u>141</u>	<u>756</u>

As at 31 March 2017, 30 September 2017 and 30 November 2017, the future minimum lease payments payable by our Group (as lessee) under a non-cancellable operating lease represent the rental payments in respect of the lease of our current office premises as disclosed in the section headed “Business – Properties – Leased property” in this prospectus. The lease runs for an initial period of one year. The lease does not include contingent rentals.

Group as lessor

As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, the total future minimum lease payments receivable by our Group (as lessor) under non-cancellable operating lease is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000	As at 30 November 2017 HK\$'000 (unaudited)
Within one year	36	132	36	144	144
In the second to fifth years	–	36	–	111	87
	<u>36</u>	<u>168</u>	<u>36</u>	<u>255</u>	<u>231</u>

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As at 31 March 2015, 2016, 2017, 30 September and 30 November 2017, the future minimum lease payments receivable by our Group (as lessor) under a non-cancellable operating lease represent rental payment in respect of the lease of our owned property as disclosed in the section headed “Business – Property – Owned property” in this prospectus. The lease runs for an initial period of one year, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between our Group and the respective tenant.

Contingent liabilities

During the Track Record Period, we have been involved in certain litigation, claims and non-compliances, details of which are disclosed in the sections headed “Business – Litigation and claims” and “Business – Non-compliances” in this prospectus. Our Directors are of the opinion that the litigation, claims and non-compliances are not expected to have a material impact on our financial position, and the outcome for potential litigation, claims and non-compliances is uncertain. Accordingly, no provision has been made to our Group’s financial statements.

Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	FY2014/15 or as at 31 March 2015	FY2015/16 or as at 31 March 2016	FY2016/17 or as at 31 March 2017	For the six months ended 30 September 2017
Revenue growth	N/A	32.2%	(3.9)%	66.6%
Net profit growth	N/A	219.5%	7.5%	40.8%
Gross profit margin	5.2%	10.3%	12.0%	12.2%
Net profit margin before interest and tax	3.7%	8.7%	9.8%	9.0%
Net profit margin	2.9%	7.1%	8.0%	7.1%
Return on equity	18.8%	37.5%	40.0%	21.6%
Return on total assets	8.1%	24.1%	28.3%	15.2%
Current ratio	1.7	2.9	3.5	3.3
Quick ratio	1.7	2.9	3.5	3.3
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	12.3 days	10.9 days	17.0 days	17.9 days
Trade payables turnover days	32.4 days	29.6 days	24.2 days	15.9 days
Gearing ratio	51.7%	13.7%	10.2%	6.6%
Net debt to equity ratio	11.7%	4.8%	Net cash	Net cash
Interest coverage	30.0	67.5	84.1	244.8

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Revenue growth

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the change in our revenue.

Net profit growth

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the increase in our net profit.

Gross profit margin

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the increase in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax was approximately 3.7% for FY2014/15, approximately 8.7% for FY2015/16 and approximately 9.8% for FY2016/17. Our net profit margin before interest and tax increased mainly due to the increase in our gross profit margin as discussed in the paragraph headed “Period-to-period comparison of results of operations” in this section.

Our net profit margin before interest and tax decreased from approximately 10.2% for the six months ended 30 September 2016 to approximately 9.0% for the six months ended 30 September 2017. Such decrease was mainly due to the recognition of listing expenses of approximately HK\$9.2 million for the six months ended 30 September 2017.

Net profit margin

Our net profit margin increased from approximately 2.9% for FY2014/15 to approximately 7.1% for FY2015/16, and further increased to approximately 8.0% for FY2016/17, mainly due to the increase in our net profit margin before interest and tax as mentioned above, partially offset by the tax effect of the non-deductible listing expenses recognised in FY2016/17.

Our net profit margin decreased from approximately 8.4% for the six months ended 30 September 2016 to approximately 7.1% for the six months ended 30 September 2017, mainly due to (i) the decrease in our net profit margin before interest and tax as discussed above; and (ii) the tax effect of the non-deductible listing expenses incurred during the six months ended 30 September 2017.

Return on equity

Return on equity is calculated as profit for the year divided by the ending total equity as at the respective reporting dates.

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Our return on equity increased from approximately 18.8% for FY2014/15 to approximately 37.5% for FY2015/16, and further increased to approximately 40.0% for FY2016/17, mainly because we made substantial investments in machinery and manpower in FY2014/15 and our Directors consider that it takes time for these investments to fully pay off and thus resulting in a lower return on equity for FY2014/15. These investments enabled us to undertake more projects that were of relatively larger scale and higher income in FY2015/16 and FY2016/17, which contributed to our higher gross profit margin in FY2015/16 and FY2016/17 than in FY2014/15 as explained in the paragraph headed “Period-to-period comparison of results of operations” above in this section, and thus leading to the increase in return on equity.

Our return on equity remained relatively stable at approximately 21.8% for the six months ended 30 September 2016 and approximately 21.6% for the six months ended 30 September 2017.

Return on total assets

Return on total assets is calculated as profit for the year divided by the ending total assets as at the respective reporting dates.

Our return on total assets increased from approximately 8.1% for FY2014/15 to approximately 24.1% for FY2015/16, and further increased to approximately 28.3% for FY2016/17. Our return on total assets increased from approximately 13.2% for the six months ended 30 September 2016 to approximately 15.2% for the six months ended 30 September 2017. The increase in our return on total assets over the Track Record Period was mainly due to reasons similar to those for the increase in our return on equity mentioned above.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.7 times as at 31 March 2015 to approximately 2.9 times as at 31 March 2016. Such increase was mainly due to the significant increase in our current assets as a result of our business growth and profitable operations as well as the fact that our current liabilities decreased as a result of our repayment of substantial amount of bank borrowings as at 31 March 2016 using cash resources generated from our profitable operations.

Our current ratio increased from approximately 2.9 times as at 31 March 2016 to approximately 3.5 times as at 31 March 2017. Such increase was mainly due to the decrease in our current assets as a result of the dividends paid of approximately HK\$46.7 million during FY2016/17, as well as the fact that our current liabilities decreased proportionally more than the decrease in our current assets as we repaid bank borrowings as at 31 March 2017 using cash resources generated from our profitable operations and lower tax payable balance as a result of the provisional tax paid in FY2015/16 for FY2016/17.

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Our current ratio remained relatively stable at approximately 3.5 times as at 31 March 2017 and approximately 3.3 times as at 30 September 2017.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

Inventories turnover days

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables and other receivables, deposits and prepayments) 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 or 183 days for the six months ended 30 September 2017).

Please refer to the paragraph headed “Net current assets – Trade and other receivables” in this section for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including retention payables, accruals and other payables) divided by direct costs for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 183 days for the six months ended 30 September 2017).

Please refer to the paragraph headed “Net current assets – Trade and other payables” in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (including finance lease liabilities and amount due to a director) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 51.7% as at 31 March 2015, approximately 13.7% as at 31 March 2016, approximately 10.2% as at 31 March 2017 and approximately 6.6% as at 30 September 2017. The decrease in our gearing ratio during the Track Record Period was mainly due to the settlement of amount due to a director, finance leases liabilities and borrowings in view of our profitable operations in FY2015/16, FY2016/17 and the six months ended 30 September 2017.

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Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including payables incurred not in the ordinary course of business, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio was approximately 11.7% as at 31 March 2015, approximately 4.8% as at 31 March 2016 and we recorded net cash position as at 31 March 2017 and 30 September 2017. The decrease in our gearing ratio during the Track Record Period was mainly due to the settlement of amount due to a director, finance leases liabilities and borrowings in view of our profitable operations in FY2015/16, FY2016/17 and the six months ended 30 September 2017.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage increased from approximately 30.0 times as at 31 March 2015 to approximately 67.5 times as at 31 March 2016, and further increased to approximately 84.1 times as at 31 March 2017 and approximately 244.8 times as at 30 September 2017, mainly due to our increase in net profit margin before interest and tax as explained above and the ongoing settlement of interest-bearing finance leases liabilities and interest-bearing borrowings for FY2015/16, FY2016/17 and the six months ended 30 September 2017.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to the section headed “Business – Risk management and internal control systems” and note 29 in section II of the accountants’ report set out in Appendix I to this prospectus.

Capital management

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

The capital structure of our Group consists of debts, which include finance lease liabilities and borrowings, and equity attributable to owners of our Company, comprising share capital and reserves.

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Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends paid to Shareholders, conducting share buybacks, issue new Shares, raising new debts, or sell assets to reduce debts, depending on our capital structure and needs from time to time.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 30 September 2017 as if the Share Offer had taken place on 30 September 2017, was approximately HK\$0.21 per Share (assuming an Offer Price of HK\$0.40 per Offer Share) or HK\$0.19 per Share (assuming an Offer Price of HK\$0.30 per Share). Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$23.9 million. Out of the amount of approximately HK\$23.9 million, approximately HK\$7.9 million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$16.0 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$16.0 million that shall be charged to profit or loss, nil, nil, approximately HK\$3.5 million and approximately HK\$9.2 million has been charged for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 respectively, and approximately HK\$3.3 million is expected to be incurred for the remaining six months ending 31 March 2018. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2017/18 is expected to be affected by the estimated expenses in relation to the Listing.

DIVIDEND

For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, we declared dividends of nil, nil, approximately HK\$46.7 million and nil respectively to our then shareholder. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the laws applicable to our Group. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 22 February 2017. As at 30 September 2017, our Company had no reserves available for distribution to our Shareholders.

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RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 27 to the accountants' report set out in Appendix I to this prospectus. During the Track Record Period, our transactions with related parties mainly include the following:

	FY2014/15	FY2015/16	FY2016/17	For the six months ended 30 September 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of transportation services paid to: Sun Kee Transport & Engineering Co. (新記運輸及工程公司) (“Sun Kee”)	9,966	4,125	–	–

Sun Kee was a private company registered in Hong Kong on 2 October 2013 and was wholly-owned by Mr. Yip Yiu Chung, being Mr. Yip's brother-in-law. Mr. Yip Yiu Chung was also one of the then shareholders and directors of Kit Kee Engineering since incorporation until November 2004. The principal business activities of Sun Kee mainly included the provision of transportation services in Hong Kong. During the Track Record Period, we engaged Sun Kee for transportation of excavated materials from piling and other construction wastes away from construction sites. Our Group ceased to engage Sun Kee as our supplier since September 2015 due to cessation of business of Sun Kee. Our Directors confirmed that these related party transactions were conducted on arm's length basis and would not distort our results during the Track Record Period, as supported by the fact that the fee rates charged by Sun Kee were comparable and within the range of fee rates charged by other independent transportation services providers engaged by our Group for similar services.

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2017, and there had been no events since 30 September 2017 which would materially affect the information shown in our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Business strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR THE LISTING

Our Directors believe the achievement of a listing status on the Main Board is essential to increase our Group’s competitiveness in the foundation construction industry. During the Track Record Period, we obtained most of our customers’ contracts through invitation for quotation and the tender process. Our Directors consider that creditability and reputation are two of the essential factors that customers, in particular potential new customers, would consider when assessing our tender and quotation submissions. Besides, according to the Ipsos Report, accounting for the subcontractors that are not registered under the Construction Industry Council, there are approximately 500 other foundation contractors in Hong Kong. To distinguish our Group from other foundation subcontractors, we believe that pursuing the Listing is in the interest of our Group as it will enable us to enjoy several competitive advantages, such as transparent financial disclosures, enhanced internal control and corporate governance practices. We believe main contractors and customers would give weight to these competitive edges when they select and engage subcontractors for foundation services.

Furthermore, in view of the Government’s initiatives to increase the supply of residential land as discussed in the section headed “Industry overview” in this prospectus, our Directors believe that the listing status would enhance our Group’s corporate profile with our potential business partners. Our Directors also believe that suppliers of materials and subcontractors would also give preference to listed contractors when they develop their respective networks and relationships in the industry. As such, our Group would develop more flexibility in negotiating prices, allocating resources and executing projects compared with our competitors after the Listing. Therefore, our Directors believe that the achievement of a listing status on the Main Board of the Stock Exchange is beneficial to our business development and continued success in the provision of foundation services in Hong Kong.

Our capability to undertake additional construction projects of different scales hinges on, among others, our operating capacity including the availability of machinery and manpower resources and the availability of working capital.

FUTURE PLANS AND USE OF PROCEEDS

(i) Additional machinery for our projects on hand

During the Track Record Period, all of our machinery were substantially deployed to different project sites for uses. As at the Latest Practicable Date, we had 25 projects on hand covering different locations in Hong Kong with a total estimated contract sum of approximately HK\$1,217.9 million. The table below sets forth the number and scale of our projects on hand as at the Latest Practicable Date:

Total contract sum	Number of projects
HK\$100 million or above	5
HK\$50 million to below HK\$100 million	3
HK\$10 million to below HK\$50 million	10
Below HK\$10 million	7
	<hr/>
	25
	<hr/> <hr/>

In addition, we have submitted 22 tenders and quotations from 1 October 2017 and up to the Latest Practicable Date and we were yet to be notified of the tenders results for the remaining submitted tenders and quotations as at the Latest Practicable Date. Our Directors consider that in view of our projects on hand and our current machinery fleet, there is a need for acquiring additional machinery. For instance, our Group has purchased an excavator amounted to approximately HK\$0.4 million the six months ended 30 September 2017. To accommodate our customers' tight working schedule, our Directors consider that it is one of our competitive strengths in providing timely foundation works services. It is therefore necessary for our Group to have a fleet of machinery that is readily available to satisfy the demand of our customers from time to time and to avoid delay in work schedule in the event of unexpected obstacles, such as underground obstruction and adverse weather condition, during the performance of our works. Our Directors confirm that the majority of our foundation machinery are deployed to our projects on hand up to the Latest Practicable Date.

(ii) Additional machinery for meeting the future market demand

Our Directors believe, and as supported by the Ipsos Report, that the construction industry in Hong Kong will continue to grow due to the large number of current and upcoming infrastructure projects of various scale and nature. For potential construction projects relevant to our track records in particular, the 2017 Policy Address stated that the Government has adopted the public housing supply target of 280,000 units for the ten-year period from 2017/18; whereas for the private sector, the Government is expected to provide 28 residential sites for the supply of private residential units. As per the 2017 Policy address, the private sector is expected to produce about 94,000 residential units by 2021. Also, the demand on foundation construction services has also been keen from large-scale infrastructure projects including especially the Ten Major Infrastructure Projects launched. Our Directors consider that these projects will create stimulus for the foundation industry in Hong Kong and therefore we plan to expand and make our fleet of machinery readily available to meet the future market demand.

FUTURE PLANS AND USE OF PROCEEDS

(iii) Replacing aged machinery

Overtime, our machinery ages and depreciates in value, operational efficiency and cost-effectiveness. With reference to the straight-line depreciation method over a period of 3.3 years adopted in our accounting policies, 42 units (or approximately 53.2%) of our 79 units of machinery are on the verge of full depreciation as at the Latest Practicable Date. By replacing obsolete and outdated machinery, our Group will benefit from the higher operational efficiency and lower maintenance cost of new machinery, and we can also take advantage of their new environmental features such as the QPME (Quality Powered Mechanical Equipment) label issued by the Environmental Protection Department and lower emission levels in compliance with the latest standards under the NRMM Regulation. Since our Directors believe environmental compliance is an increasingly important criterion in tender assessment, we intend to build a greener corporate image with a more environmentally friendly fleet of machinery and equipment. In particular, we plan to acquire new machinery and equipment which are able to obtain approval under the NRMM Regulation if applicable. It is crucial for our Group to constantly review the conditions of our machinery and determine if any machinery replacement or upgrade is required for the maintenance and enhancement of our competitiveness.

(iv) Reducing reliance on operating lease

Our Directors believe that, by reducing reliance on operating lease and acquiring our own machinery, our Group would enjoy more flexibility and higher efficiency in the utilisation and allocation of machinery in accordance with our needs, which may vary depending on the timing of project commencement and completion. With an adequate fleet of machinery that can support more projects to be undertaken, not only would our Group be able to deploy appropriate machinery to different work sites, but the risk of machinery shortage would also be minimised such that we can avoid renting machinery where availability is uncertain and rental costs will be incurred.

During the Track Record Period, we rented excavators and cranes for undertaking our projects when needed. For FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, our total rental costs of machinery amounted to approximately HK\$12.7 million, HK\$14.4 million, HK\$12.7 million and HK\$10.9 million, respectively. According to the Ipsos Report, since there is no publicly available figure indicating the total number of construction work machineries in Hong Kong, the availability of construction work machinery in Hong Kong including particularly the availability of foundation construction machinery is difficult to be assessed. According to Ipsos Report, the machinery and equipment rental producer price indices in Hong Kong increased from 89.7 in 2012 to 121.8 in 2016, at a CAGR of approximately 7.9% from 2012 to 2016. For further details of the historical and expected trend of rental rates, please refer to the section headed “Industry Overview – Price trend of major cost components – Rental rates of construction machinery in Hong Kong”. Going forward, our Directors envisaged that based on the future market demand and the historical trend of the machinery and equipment rental producer price indices, there will continue to be a general upward trend in the rental rates of construction machinery in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider that substantial cost savings can be achieved through the use of our own machinery instead of renting. For instance, based on the prevailing market rates and to the best of our Directors' knowledge and belief, it is estimated that the aggregate cost of renting a crane and an excavator (of similar functionality and specification to a typical crane and excavator used by our Group during the Track Record Period) for a year is approximately HK\$3.6 million. In comparison, in respect of such a crane and an excavator, it is estimated that, based on the accounting policies adopted by our Group and to the best of our Directors' knowledge and belief, we would incur an aggregate of approximately HK\$2.6 million per year in related depreciation charges, repair and maintenance costs and labour costs.

Going forward, we will strive to monitor the optimal number of self-owned machinery in order to strike a balance between achieving cost savings (as discussed above) and avoiding excessive investments in machinery which could result in unnecessary idling of machinery and the incurrence of unnecessary costs. Hence, our Group intends to acquire additional excavators and cranes which we often deploy in our projects, and will lease other machinery and equipment from external parties if needed based on our actual workload and work schedules from time to time. Our Directors believe that with the mix of leased machinery to supplement our own machinery fleet, we enjoy greater flexibility in resource coordination and machinery utilisation, thus allowing us to apply suitable machinery for different projects and devise competitive project plans to meet the demands of our customers. Following our planned acquisition of additional machinery, we expect our rental costs will gradually decrease to below 2% of our total direct costs.

(v) Strengthening our manpower

It is imperative for our Group to expand our workforce at both office and worksite levels to undertake more foundation projects. The listing status will help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture future business opportunities that may arise. The Listing will enable us to offer equity-based incentive programs (such as the Share Option Scheme) to our employees that more directly correlates to their performance with our business. We would therefore be in a better position to motivate our employees with any incentive programs that are closely aligned with the objective of creating value for our Shareholders. In light of the shortage of skilled labour in the local construction industry, it is crucial to enhance the competitiveness of our remuneration package and fringe benefits for our potential and existing employees.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.35 per Share, being the mid-point of the indicative Offer Price range of HK\$0.30 to HK\$0.40 per Share) will be approximately HK\$81.1 million. Our Directors intend to apply the net proceeds from the Share Offer as follows:

- Approximately HK\$53.2 million (approximately 65.6% of the net proceeds) will be used for enhancing our construction machinery fleet by acquiring additional excavators and cranes in the next 3 years in order to cope with our business development, replace our aged machinery and increase our overall efficiency, capacity and technical capability in performing foundation works as well as our ability to cater for different needs and requirements of different customers. The planned allocation of this portion of the net proceeds among machinery is as follows:

For the year ended 31 March	Type of machinery	Number of units	Amount HK\$
2018	Excavator	8	6.7 million
	Crane	1	4.5 million
2019	Excavator	17	15.7 million
	Crane	1	4.5 million
2020	Excavator	19	17.3 million
	Crane	1	4.5 million

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$17.0 million (approximately 21.0% of the net proceeds) will be used for expanding our labour force by recruiting additional staff, including project management and execution staff as well as human resources, administrative and accounting staff, in the next 3 years. The following table sets out a breakdown of additional staff that we plan to employ by functions:

For the year ended 31 March	Additional staff to be employed by functions	Number of additional staff to be employed during the year	Amount <i>HK\$</i>
2018	– Accounting and finance	1	1.1 million
	– Project management and supervision	5	
	– Machinery operators	4	
2019	– Accounting and finance	1	7.1 million
	– Project management and supervision	2	
	– Machinery operators	4	
2020	– Machinery operators	3	8.8 million

- Approximately HK\$4.2 million (approximately 5.2% of the net proceeds) will be used for reinforcing our sales and marketing effort over the next 3 years by setting up dedicated web pages for marketing our services, displaying our company name prominently in our work sites and on our plant and machinery, placing advertisements in industry publications, sponsoring more business events and charity functions organised by our customers, sending more promotional materials to our existing and potential customers and approaching potential customers more actively to secure new business opportunities.
- Approximately HK\$6.7 million (approximately 8.2% of the net proceeds) will be used as our general working capital.

If the Offer Price is set at either the high-end or low-end of the proposed Offer Price range, the net proceeds from the Share Offer to be received by our Company will increase or decrease by approximately HK\$15.0 million, the allocation of which will be used in the same proportions as set out above.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to place the net proceeds into short-term interest-bearing deposits or treasury products with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds from the Share Offer as described above.

UNDERWRITING

PUBLIC OFFER UNDERWRITER

Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 30,000,000 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 pursuant to the Capitalisation Issue and under the Share Offer (including any Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme); 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 Underwriter has agreed to subscribe for, or procure subscribers to subscribe for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, 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 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, 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 has or is likely to have a material adverse effect on the business or financial conditions or

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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, 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 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 Underwriter (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, 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 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, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries; or
- (viii) any public, regulatory, taxing, administrative or governmental, agency or authority or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other applicable authority and any court at the national, provincial, municipal or local level, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any

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court, 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, (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 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 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 in its sole and absolute opinion to be material; or
 - (c) there comes to the notice of the Sole Bookrunner 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 in its sole and absolute opinion to be material; or
 - (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, the Stock Exchange, the legal adviser to the Sole Bookrunner and the Underwriters and any other parties

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- involved in the Share Offer which in the sole and absolute opinion of the Sole Bookrunner 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 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 is material; or
 - (g) the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Capitalisation Issue and under the Share Offer (including any Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme) 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 Bookrunner or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Bookrunner:
 - (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 any Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme) 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 our Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Share Offer, 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**”), he/she/it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of 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.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Each of our Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter that, without the prior written consent of the Sole Bookrunner and unless in compliance with the requirements of the Listing Rules, none of our 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 our 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 our 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

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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

- (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 and the issue and allotment of Shares pursuant to the Capitalisation Issue and/or upon the exercise of the options under the Share Option Scheme, as disclosed in this prospectus, during the First Six Month Period, our Company undertakes to each of the Sole Bookrunner, the Sole Lead Manager, the Sponsor and the Public Offer Underwriter not to, and to procure each member of our Group not to, without the prior written consent of the Sole Bookrunner 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

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- (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 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 Sole Lead Manager, the Sponsor and the Public Offer Underwriter 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 Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter that save with the prior written consent of the Sole Bookrunner, 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 Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter that:

- (i) save with the prior written consent from the Sole Bookrunner 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

UNDERWRITING

or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend 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 Bookrunner, 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 Sponsor and the Sole Bookrunner 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 Sponsor and the Sole Bookrunner in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sponsor and the Sole Bookrunner as they may require.

Our Company undertakes and covenants with the Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter that our Company shall forthwith inform the Sole Bookrunner 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 Underwriter will receive an underwriting commission of 4% of the aggregate Offer Price of the Public Offer Shares.

In consideration of the Sponsor’s services in sponsoring the Share Offer, the 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\$81.1 million in aggregate (assuming an Offer Price of HK\$0.35 per Offer Share (being the midpoint of the indicative Offer Price of HK\$0.30 to HK\$0.40 per Offer Share)), are to be borne by us.

UNDERWRITING

The Placing

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriter(s) 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 Underwriter(s) will agree to 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” in this section.

UNDERWRITERS’ INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, the Public Offer Underwriter is not 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 SPONSOR

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. A total of initially 300,000,000 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 30,000,000 Public Offer Shares (subject to re-allocation), representing 10% of the Offer Shares; and
- the Placing which will be conditionally placed with selected professional, institutional and other investors of 270,000,000 Placing Shares (subject to re-allocation), representing 90% of the Offer Shares.

Investors may apply for the Public Offers Shares under the Public Offer or indicate an interest, if qualified to do so, in the Placing 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 Underwriter has agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriter(s) will underwrite the Placing Shares 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 Capitalisation Issue and under the Share Offer (including any Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme) 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.

STRUCTURE AND CONDITIONS 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.

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 www.kitkee.com.hk 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 bank 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 Wednesday, 7 February 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 8 February 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.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 30,000,000 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. Subject to the re-allocation of 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 upon any exercise of any 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.

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 re-allocation of Offer Shares between the Public Offer and the Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 15,000,000 and 15,000,000 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, as well as in the same pool, 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 15,000,000 Public Offer Shares are liable to be rejected.

Re-allocation

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 re-allocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be increased to (in the case of (i), 90,000,000 Offer Shares, in the case of (ii), 120,000,000 Offer Shares and in the case of (iii), 150,000,000 Offer Shares representing 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively in each case, the additional Offer Shares re-allocated to the Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deem appropriate. In addition, in certain prescribed circumstances, the Sole Bookrunner may, at their sole and absolute discretion, re-allocate Placing Shares as they deem appropriate from the Placing to the Public Offer to satisfy in whole or in part the excess valid application in the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Public Offer Shares are not fully subscribed for, the Sole Bookrunner may, at their sole and absolute discretion, re-allocate all or any unsubscribed Public Offer Shares to the Placing, in such proportion as the Sole Bookrunner deem 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 Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.40 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\$0.40 per Offer 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.

THE PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 270,000,000 Shares (subject to re-allocation). Subject to any re-allocation of Offer Shares between the Placing and the Public Offer, the Placing Shares 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 options which have been or 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 AND CONDITIONS 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.

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 Wednesday, 31 January 2018, and in any event not later than Friday, 2 February 2018, by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. 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.

Reduction in Offer Price range and/or number of Offer Shares

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 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 www.kitkee.com.hk notices of the reduction. 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 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Such notice 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. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Public Offer was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. In the absence of any notice and/or supplemental prospectus published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and 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.

In the event of a reduction in the number of Offer Shares, the Sole Bookrunner may, at its discretion, re-allocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Public Offer Shares to be offered in the Public Offer and the Placing Shares to be offered in the Placing may, in certain circumstances, be re-allocated between the Public Offer and the Placing solely in the discretion of the Sole Bookrunner.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

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 Wednesday, 7 February 2018 in the manner set out in the section headed “How to Apply for Public Offer Shares – 10. Publication of Results” in this prospectus.

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.

COMMENCEMENT OF DEALINGS

Assuming the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 8 February 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 8 February 2018.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Company is 6829.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause **HKSCC** Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner 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 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, our Company and the Sole Bookrunner may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

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 of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- 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;
- an associate (as defined in the Listing Rules) of any of the above; 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.

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 Friday, 26 January 2018 until 12:00 noon on Wednesday, 31 January 2018 from:

- (i) the following office of the Sole Bookrunner:

Head & Shoulders Securities Limited
Room 2511, 25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
New Territories	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long

(iii) the following office of the Sponsor:

Dakin Capital Limited at Room 2701, 27/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 26 January 2018 until 12:00 noon on Wednesday, 31 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

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Dragon Rise 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:

- Friday, 26 January 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 27 January 2018 – 9:00 a.m. to 1:00 p.m.
- Monday, 29 January 2018 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 30 January 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 31 January 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 31 January 2018, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form 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, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Sponsor, the Sole Bookrunner, the Sole Lead Manager, 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

Sponsor, the Sole Bookrunner, the Sole Lead Manager 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 refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sponsor, the Sole Bookrunner and the Sole Lead Manager 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 by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 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 (<http://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Sole Lead Manager and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for 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;
 - (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 and the Sole Lead Manager 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 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 Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for 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 Company Law, Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, 26 January 2018 – 9:00 a.m. to 8:30 p.m. *Note*
- Monday, 29 January 2018 – 8:00 a.m. to 8:30 p.m. *Note*
- Tuesday, 30 January 2018 – 8:00 a.m. to 8:30 p.m. *Note*
- Wednesday, 31 January 2018 – 8:00 a.m. *Note* to 12:00 noon

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 Friday, 26 January 2018 until 12:00 noon on Wednesday, 31 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 31 January 2018, the last application day or such later time as described in “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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 Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Sole Lead Manager, 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.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 31 January 2018.

7. 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,

HOW TO APPLY FOR PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR PUBLIC OFFER SHARES

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Price Determination of the Share Offer” in this prospectus.

9. 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, 31 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, 31 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.

10. 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 Wednesday, 7 February 2018 on our Company’s website at **www.kitkee.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.kitkee.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 7 February 2018;
- from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Wednesday, 7 February 2018 to 12:00 midnight on Tuesday, 13 February 2018;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 7 February 2018 to Tuesday, 13 February 2018 (excluding Saturday and Sunday or public holiday in Hong Kong);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 7 February 2018 to Friday, 9 February 2018 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. 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, 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of the Public Offer Shares is void:

The allotment of the 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 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.40 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 and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 7 February 2018.

13. 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 Public Offer 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 7 February 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 Thursday, 8 February 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 Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 February 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 7 February 2018 by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 Wednesday, 7 February 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 CCASS Participant's stock account as stated in your Application Form on Wednesday, 7 February 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 a CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 February 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 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 7 February 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 Wednesday, 7 February 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 February 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 Wednesday, 7 February 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.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 7 February 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. 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, interests and liabilities.

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

The following is the text of a report received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this prospectus.



26 January 2018

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DRAGON RISE GROUP HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of Dragon Rise Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-48, which comprises the consolidated statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 30 September 2017, the statements of financial position of the Company as at 31 March 2017 and 30 September 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 March 2015, 2016 and 2017, and the six months ended 30 September 2017 (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-48 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 January 2018 (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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively, 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 Investments Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively, 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 Company’s financial position as at 31 March 2017 and 30 September 2017 and the Group’s consolidated financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of the Group’s consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, respectively.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2016 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1.3 and 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the

HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1.3 and 2.1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing 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 10 of Section II to the Historical Financial Information which contains information about dividends paid by the Company's subsidiaries and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Chan Tze Kit

Practising Certificate Number: P05707

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), and all values are rounded to the nearest thousand ("HK\$'000"), except where otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

	<i>Notes</i>	Year ended 31 March			Six months ended 30 September	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i>
Revenue	5	467,302	617,846	593,572	274,537	457,362
Direct costs		<u>(443,069)</u>	<u>(553,899)</u>	<u>(522,078)</u>	<u>(243,981)</u>	<u>(401,391)</u>
Gross profit		24,233	63,947	71,494	30,556	55,971
Other income/(loss), net	6	1,144	(1,217)	952	1,675	543
Administrative expenses		(8,182)	(9,069)	(14,355)	(4,176)	(15,389)
Finance costs	7	<u>(574)</u>	<u>(795)</u>	<u>(691)</u>	<u>(317)</u>	<u>(168)</u>
Profit before income tax	8	16,621	52,866	57,400	27,738	40,957
Income tax expense	9	<u>(2,844)</u>	<u>(8,847)</u>	<u>(10,063)</u>	<u>(4,571)</u>	<u>(8,332)</u>
Profit and total comprehensive income for the year/period attributable to equity holders of the Company		<u>13,777</u>	<u>44,019</u>	<u>47,337</u>	<u>23,167</u>	<u>32,625</u>
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)						
Basic and diluted	11	<u>1.53</u>	<u>4.89</u>	<u>5.26</u>	<u>2.58</u>	<u>3.63</u>

Consolidated statements of financial position

		As at 31 March		As at 30 September	
	Notes	2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	13	23,422	17,686	13,524	12,957
Investment properties	14	3,880	3,600	4,020	4,260
		<u>27,302</u>	<u>21,286</u>	<u>17,544</u>	<u>17,217</u>
Current assets					
Trade and other receivables	16	44,778	48,782	79,345	112,823
Amounts due from a director	17	–	36,628	–	–
Amounts due from customers on construction contracts	18	77,938	58,675	31,107	51,549
Financial assets at fair value through profit or loss	19	7,824	9,688	2,589	–
Cash and bank balances	20	11,514	7,482	36,675	32,828
		<u>142,054</u>	<u>161,255</u>	<u>149,716</u>	<u>197,200</u>
Current liabilities					
Trade and other payables	21	(52,668)	(38,168)	(33,568)	(42,195)
Borrowings, secured	22	(7,224)	(2,131)	(895)	(56)
Obligation under finance leases	23	(2,515)	(2,809)	(2,285)	(2,344)
Amounts due to customers on construction contracts	18	(1,630)	(1,010)	(1,093)	(1,148)
Amounts due to a director	17	(17,851)	(3,000)	(4,227)	(4,093)
Tax payable		(1,559)	(8,371)	(1,023)	(9,125)
		<u>(83,447)</u>	<u>(55,489)</u>	<u>(43,091)</u>	<u>(58,961)</u>
Net current assets		<u>58,607</u>	<u>105,766</u>	<u>106,625</u>	<u>138,239</u>
Total assets less current liabilities		<u>85,909</u>	<u>127,052</u>	<u>124,169</u>	<u>155,456</u>

	<i>Notes</i>	As at 31 March		As at 30 September	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current liabilities					
Obligation under finance leases	23	(10,372)	(8,189)	(4,711)	(3,524)
Deferred tax liabilities	24	(2,178)	(1,485)	(1,078)	(927)
		<u>(12,550)</u>	<u>(9,674)</u>	<u>(5,789)</u>	<u>(4,451)</u>
Net assets		<u>73,359</u>	<u>117,378</u>	<u>118,380</u>	<u>151,005</u>
Capital and reserves					
Share capital	25	300	300	690	4
Reserves		<u>73,059</u>	<u>117,078</u>	<u>117,690</u>	<u>151,001</u>
Equity attributable to equity holders of the Company		<u>73,359</u>	<u>117,378</u>	<u>118,380</u>	<u>151,005</u>

Statement of financial position of the Company

		As at 31 March 2017 HK\$'000	As at 30 September 2017 HK\$'000
	<i>Notes</i>		
Assets and liabilities			
Non-current asset			
Investment in a subsidiary	15	—	143,375
Current asset			
Amount due from the ultimate holding company		—*	—*
Net current assets		—*	—*
Net assets		—*	143,375
Capital and reserves			
Share capital	25	—*	4
Reserve	25	—	143,371
Total equity		—*	143,375

* The balance represents an amount less than HK\$1,000.

Consolidated statements of changes in equity

	Share capital <i>HK\$'000</i> <i>(Note 25)</i>	Other reserve <i>HK\$'000</i> <i>(Note 25)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2014	300	–	59,282	59,582
Profit and total comprehensive income for the year	–	–	13,777	13,777
Balance at 31 March 2015 and 1 April 2015	300	–	73,059	73,359
Profit and total comprehensive income for the year	–	–	44,019	44,019
Balance at 31 March 2016 and 1 April 2016	300	–	117,078	117,378
Interim dividend (<i>Note 10</i>)	–	–	(46,725)	(46,725)
Issue of ordinary shares	390	–	–	390
Profit and total comprehensive income for the year	–	–	47,337	47,337
Balance at 31 March 2017 and 1 April 2017	690	–	117,690	118,380
Reorganisation and issue of shares of the Company (<i>Note 25</i>)	(686)	686	–	–
Profit and total comprehensive income for the period	–	–	32,625	32,625
Balance at 30 September 2017	<u>4</u>	<u>686</u>	<u>150,315</u>	<u>151,005</u>
Balance at 1 April 2016 (audited)	300	–	117,078	117,378
Interim dividend (<i>Note 10</i>)	–	–	(34,350)	(34,350)
Profit and total comprehensive income for the period	–	–	23,167	23,167
Balance at 30 September 2016 (unaudited)	<u>300</u>	<u>–</u>	<u>105,895</u>	<u>106,195</u>

Consolidated statements of cash flows

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Operating activities					
Profit before tax	16,621	52,866	57,400	27,738	40,957
Adjustments for:					
Depreciation	9,259	11,954	10,949	6,026	5,227
(Gain)/loss on disposal of property, plant and equipment	(320)	(140)	294	75	–
(Gain)/loss on disposal of financial assets at fair value through profit or loss	(59)	1,519	18	–	(217)
Change in fair value on financial assets at fair value through profit or loss	176	60	(337)	(1,072)	–
Change in fair value of investment properties	(520)	280	(420)	(290)	(240)
Dividend income	(275)	(370)	(375)	(322)	(13)
Finance costs	574	795	691	317	168
Operating profit before working capital changes	25,456	66,964	68,220	32,472	45,882
Increase in trade and other receivables	(14,047)	(4,004)	(30,173)	(10,425)	(33,478)
(Increase)/decrease in amounts due from customers on construction contracts	(28,893)	19,263	27,568	22,998	(20,442)
Increase/(decrease) in trade and other payables	25,872	(14,500)	(4,600)	(973)	8,627
Increase/(decrease) in amounts due to customers on construction contracts	1,438	(620)	83	692	55
(Increase)/decrease in balance with a director	15,733	(51,479)	37,855	27,233	(134)
Cash generated from operations	25,559	15,624	98,953	71,997	510
Income tax paid	(538)	(2,728)	(17,818)	(44)	(381)
Net cash generated from operating activities	25,021	12,896	81,135	71,953	129

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Investing activities					
Purchase of property, plant and equipment	(6,841)	(5,518)	(7,471)	(7,016)	(4,660)
Proceeds from disposal of property, plant and equipment	320	140	390	390	–
Purchases of financial assets at fair value through profit or loss	(4,242)	(17,602)	(14,178)	(1,895)	–
Proceeds from disposal of financial assets at fair value through profit or loss	977	14,159	21,596	–	2,806
Dividend received	275	370	375	322	13
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash (used in)/ generated from investing activities	(9,511)	(8,451)	712	(8,199)	(1,841)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financing activities					
Dividends paid	–	–	(46,725)	(34,350)	–
Addition of borrowings	–	–	2,300	2,300	–
Repayment of borrowings	(3,663)	(2,259)	(3,536)	(1,575)	(839)
Repayment of finance lease liabilities	(360)	(2,589)	(4,002)	(1,390)	(1,128)
Interest paid	(574)	(795)	(691)	(317)	(168)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in financing activities	(4,597)	(5,643)	(52,654)	(35,332)	(2,135)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	10,913	(1,198)	29,193	28,422	(3,847)
Cash and cash equivalents and bank overdraft at the beginning of year/period	(2,233)	8,680	7,482	7,482	36,675
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents and bank overdraft at end of year/period (Note 20)	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>
	8,680	7,482	36,675	35,904	32,828

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 22 February 2017. The addresses of the Company's registered office and principal place of business are set out in the section headed "Corporate Information" of the Prospectus.

The Company is an investment holding company. The Group is principally engaged in undertaking foundation works in Hong Kong.

The Company's immediate and ultimate holding company is Fame Circle Limited, a company incorporated in the British Virgin Islands (the "BVI") and wholly owned by Mr. Yip Yuk Kit ("Mr. Yip" or "Controlling Shareholder").

1.2 Reorganisation

Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History and development" in the Prospectus, which was completed on 21 August 2017, the Company became the holding company of the companies now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

Name of Company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Directly held by the Company					
Richer Ventures Limited ("Richer Ventures") (note (a))	The BVI	25 October 2016	350,000 ordinary shares	100%	Investment holding
Indirectly held by the Company					
Kit Kee Engineering Limited ("Kit Kee Engineering") (note (b))	Hong Kong	19 August 1993	300,000 ordinary shares	100%	Undertaking foundation works in Hong Kong

Notes:

- (a) No statutory financial statements have been prepared for Richer Ventures as it is newly incorporated and not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.
- (b) The statutory financial statements prepared in accordance with the Small and Medium-Sized Entity Financial Reporting Standard issued by the HKICPA for the years ended 31 March 2015 and 2016 were audited by SHL CPA Limited and that for the year ended 31 March 2017 was audited by Global Vision CPA Limited.

1.3 Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 21 August 2017. The group entities and business were under the control of Mr. Yip throughout the Track Record Period. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies and business now comprising the Group throughout the Track Record Period. The Group is under the common control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those respective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below.

These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with 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, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below.

The Historical Financial Information has been prepared under the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are stated at fair values.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

2.2 Basis of consolidation

The Historical Financial Information incorporates the financial information of the Company and all its subsidiaries made up to respective year and period end dates during the Track Record Period.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant and machinery	30%
Motor vehicles	30%
Furniture, fixtures and equipment	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.4 Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and for capital appreciation.

When the Group holds a property interest to earn rental income under an operating lease and for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless its fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

2.5 Financial assets

The Group's accounting policies for financial assets are set out below.

Financial assets are classified into financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income are recognised in accordance with the Group's policies in Note 2.13 to these consolidated financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets 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;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- the disappearance of an active market for that financial asset because of financial difficulties.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade and retention receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and retention receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and retention receivables is remote, the amount considered irrecoverable is written off against trade and retention receivables directly and any amounts held in the allowance account in respect of that receivable 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.

2.6 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest Group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Construction contracts

Construction contracts are contracts specifically negotiated for the construction of an asset or a combination 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 2.13.

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 reporting date. 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 reporting date are recorded in the consolidated statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented as "Amounts due from customers on construction contracts" (an asset) or "Amounts due to customers on construction contracts" (a liability). Progress billings not yet paid by customers are included in the consolidated statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are recorded under "Trade and other payables".

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.9 Financial liabilities

The Group's financial liabilities include obligation under finance leases, borrowings, amounts due to a director and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.15).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 2.10).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables and amounts due to a director

Trade and other payables and amounts due to a director are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Company acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time 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. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental cost directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. 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 as follows:

(i) *Contract revenue*

When the outcome of a construction contract can be estimated reliably, revenue from construction contract 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 generally established according to the progress certificate (by reference to the construction works certified by the customers or their agents) issued by the customer or its agent.

In practice, the Group makes application to the customer for progress payment normally on a monthly basis or upon the completion of the project. After examination by the customer or its agent, a payment certificate will be issued to the Group certifying the portion of works completed during the period for which progress payment is applied, which normally takes around one to three weeks from the date of application, and therefore the stage of completion for the period is established by reference to the payment certificate issued to the Group.

However, progress certifications might not necessarily take place as at the reporting date. In case where progress certifications do not take place as at the reporting date or where the last progress certificate for a works contract during the period does not cover a period up to the reporting date, the revenue for the period from the last progress certification up to the reporting date is estimated based on the estimated stage of completion with reference to the actual amounts of works performed during such period as indicated by the relevant site records as well as the rates for the relevant works items as agreed between the customer and the Group.

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, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

(ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iii) Dividend income

Dividend is recognised when the right to receive payment is established.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year/period. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.15 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year/period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components for their review of the performance of those components.

2.18 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over of the Group;
 - (ii) has significant influence over the Group; or

- (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 April 2017 are consistently applied to the Group for the Track Record Period.

The Group have not early applied the following new and revised Standards, Amendments and Interpretations (“**new and revised HKFRSs**”) that have been issued but are not yet effective:

HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
HKFRS 9	Financial Instruments ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over income tax treatments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ¹
HKFRS 16	Leases ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

The directors anticipate that all the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Currently it has been considered that adoption of them is unlikely to have an impact on the Group's results of operations and financial position, except for the following:

HKFRS 15 Revenue from contracts with customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group has started to assess the impact of HKFRS 15 and expects to apply HKFRS 15, in accordance with modified retrospective approach under which the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). When applying HKFRS 15, the director considers that an output method will be used in measuring the work progress and the director does not anticipate that the application of HKFRS 15 will have a material impact on the Group's Historical Financial Information but will result in more disclosures to be made in the financial statements.

HKFRS 9 Financial instrument

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

The director considers that the application of HKFRS 9 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 16 Leases

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. HKFRS 16 is effective from periods beginning on or after 1 January 2019. The director is yet to fully assess the impact of HKFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under HKFRS 16's new definition;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assessing their current disclosures for finance leases (Note 23) and operating leases (Note 26) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions assessing the additional disclosures that will be required.

The management of the Group confirms the adoption of HKFRS 16 would not result in a significant impact on the Group's financial position and performance. As at 30 September 2017, the operating lease commitments amounted to HK\$141,000 and which will be required to be recognised in the Historical Financial Information as right-of-use assets and lease liabilities if HKFRS 16 would have been applied.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Construction contracts

As explained in Notes 2.7 and 2.13, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers and their agents. 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 by comparing the budgeted amounts to the actual costs incurred.

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.

Management exercised their judgements and estimated based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

Details of the amounts due from/(to) customers on construction contracts are disclosed in Note 18.

(b) Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

During the Track Record Period, no provision for impairment of trade receivables has been made. Details of the trade receivables are disclosed in Note 16.

5. REVENUE

The Group's principal activities are disclosed in Note 1.1 of Section II to the Historical Financial Information.

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Contracting revenue	<u>467,302</u>	<u>617,846</u>	<u>593,572</u>	<u>274,537</u>	<u>457,362</u>

The chief operating decision-maker has been identified as the executive director of the Company. The director regards the Group's business of foundation works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Customer A	417,594	586,588	474,783	199,515	312,345
Customer B	–	–	–	–	63,235
Customer E	–	–	–	42,305	–
	<u>417,594</u>	<u>586,588</u>	<u>474,783</u>	<u>241,820</u>	<u>375,580</u>

6. OTHER INCOME/(LOSS), NET

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Dividend income	275	370	375	322	13
Gain/(loss) on disposal of property, plant and equipment	320	140	(294)	(75)	–
Net gain/(loss) in fair value on investment properties (<i>Note 14</i>)	520	(280)	420	290	240
Net (loss)/gain from change in fair value of financial assets at fair value through profit or loss	(176)	(60)	337	1,072	–
Net gain/(loss) on disposal of financial assets at fair value through profit or loss	59	(1,519)	(18)	–	217
Rental income	132	132	132	66	68
Others	14	–	–	–	5
	<u>1,144</u>	<u>(1,217)</u>	<u>952</u>	<u>1,675</u>	<u>543</u>

7. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Bank loans and overdrafts interest	503	207	98	61	7
Finance charge on obligations under finance lease	71	588	593	256	161
	<u>574</u>	<u>795</u>	<u>691</u>	<u>317</u>	<u>168</u>

8. PROFIT BEFORE INCOME TAX

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit before tax is stated after charging:					
(a) Staff costs (including directors' remuneration (<i>Note 12(a)</i>))					
– Salaries, wages, bonus and other benefits	71,714	74,555	92,788	42,398	43,577
– Contributions to defined contribution retirement plans	2,592	2,623	3,660	1,788	1,764
Staff costs (including directors' remuneration) (<i>Note (i)</i>)	<u>74,306</u>	<u>77,178</u>	<u>96,448</u>	<u>44,186</u>	<u>45,341</u>

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
(b) Other items					
Depreciation, included in:					
Direct cost					
– Owned assets	5,982	6,971	7,804	3,752	3,901
– Leased assets	3,225	4,935	3,081	2,257	1,267
Administrative expenses					
– Owned assets	52	48	64	17	59
	<u>9,259</u>	<u>11,954</u>	<u>10,949</u>	<u>6,026</u>	<u>5,227</u>
Subcontracting charges (included in direct costs)	69,520	83,143	87,993	36,422	107,723
Operating lease charges					
– Premises	–	–	246	–	369
– Machinery	12,658	14,389	12,715	5,930	10,925
Listing expenses	–	–	3,474	–	9,201
Auditors' remuneration	75	150	150	75	75
	<u>75</u>	<u>150</u>	<u>150</u>	<u>75</u>	<u>75</u>

Note:

- (i) Staff costs (including directors' remuneration)

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Direct costs	70,245	72,961	91,154	41,931	41,854
Administrative expenses	4,061	4,217	5,294	2,255	3,487
	<u>74,306</u>	<u>77,178</u>	<u>96,448</u>	<u>44,186</u>	<u>45,341</u>

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Provision for Hong Kong Profits Tax					
– Current tax	1,714	9,540	10,470	4,766	8,483
– Deferred tax (Note 24)	1,130	(693)	(407)	(195)	(151)
	<u>2,844</u>	<u>8,847</u>	<u>10,063</u>	<u>4,571</u>	<u>8,332</u>

The taxation for the years/periods can be reconciled to the profit before income tax as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Profit before income tax	16,621	52,866	57,400	27,738	40,957
Tax at Hong Kong profits tax rates of 16.5%	2,742	8,723	9,471	4,577	6,758
Tax effect of non-deductible expenses	106	197	754	62	1,608
Tax effect of non-taxable income	(134)	(62)	(144)	(101)	(48)
Others	130	(11)	(18)	33	14
Income tax expense for the year/period	2,844	8,847	10,063	4,571	8,332

10. DIVIDENDS

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Interim dividends	–	–	46,725	34,350	–

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Reorganisation, Kit Kee Engineering had declared and appropriated dividends to its then equity owner of HK\$46,725,000 and HK\$34,350,000 for the year ended 31 March 2017 and the six months ended 30 September 2016 respectively.

The rates for dividends and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

11. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Reorganisation as described in Note 1.2 and capitalisation issue as described in Section III as if the Reorganisation and capitalisation issue had been completed on 1 April 2014.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year/period.

	Year ended 31 March			Six months ended 30 September	
	2015	2016	2017	2016 (unaudited)	2017
Profit attributable to equity holders of the Company (HK\$'000)	13,777	44,019	47,337	23,167	32,625
Number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	899,650	899,650	899,650	899,650	900,000
Basic earnings per share (expressed in HK cents per share)	1.53	4.89	5.26	2.58	3.63

(b) Diluted earnings per share

Diluted earnings per share for the Track Record Period equals the basic earnings per share as there were no dilutive potential ordinary shares in existence during the Track Record Period.

12. DIRECTOR'S EMOLUMENTS

(a) Director's emoluments

	Fees <i>HK\$'000</i>	Salaries, allowances, and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2015					
Mr. Yip	–	240	–	12	252
Year ended 31 March 2016					
Mr. Yip	–	240	–	12	252
Year ended 31 March 2017					
Mr. Yip	–	360	360	14	734
Six months ended 30 September 2016 (Unaudited)					
Mr. Yip	–	180	–	9	189
Six months ended 30 September 2017					
Mr. Yip	–	240	–	9	249

- (i) Mr. Yip was appointed as a director on 22 February 2017 and was re-designated as an executive director, chairman of the Board of Directors (the “**Board**”) and chief executive officer of the Company on 13 March 2017.
- (ii) Mr. Cheung Chun Fai was appointed as an executive director of the Company on 13 March 2017. During the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017, Mr. Cheung Chun Fai did not receive any director remuneration.
- (iii) The emoluments shown above represent emoluments received by the director in his capacity as a director of the companies comprising the Group during the Track Record Period.
- (iv) Mr. Lo Chi Wang, Mr. Chan Ka Yu and Mr. Lee Kwok Lun were appointed as independent non-executive directors of the Company on 18 January 2018. During the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

(b) Five highest paid individuals

For the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017, the five individuals whose emoluments were the highest in the Group include no, no, no and no director respectively. The aggregate of the emoluments in respect of the individuals are as follows:

Details of the emoluments of the remaining highest paid individuals are as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries, fee and allowances	2,451	2,403	2,508	1,427	1,353
Discretionary bonuses	127	160	56	–	–
Retirement scheme contributions	71	64	66	45	45
	<u>2,649</u>	<u>2,627</u>	<u>2,630</u>	<u>1,472</u>	<u>1,398</u>

The emoluments fell within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Emolument bands:					
HK\$nil – HK\$1,000,000	<u>5</u>	<u>5</u>	<u>4</u>	<u>5</u>	<u>5</u>

For the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 April 2014	621	45,422	2,490	48,533
Additions	75	17,573	2,439	20,087
Disposals	–	(7,785)	(200)	(7,985)
At 31 March 2015	696	55,210	4,729	60,635
At 1 April 2015	696	55,210	4,729	60,635
Additions	10	4,712	1,496	6,218
Disposals	–	(8,015)	(170)	(8,185)
At 31 March 2016	706	51,907	6,055	58,668
At 1 April 2016	706	51,907	6,055	58,668
Additions	455	7,016	–	7,471
Disposals	–	(4,691)	–	(4,691)
At 31 March 2017	1,161	54,232	6,055	61,448
At 1 April 2017	1,161	54,232	6,055	61,448
Additions	–	4,660	–	4,660
At 30 September 2017	1,161	58,892	6,055	66,108
Accumulated depreciation				
At 1 April 2014	(526)	(32,923)	(2,490)	(35,939)
Charge for the year	(52)	(8,866)	(341)	(9,259)
Depreciation written off	–	7,785	200	7,985
At 31 March 2015	(578)	(34,004)	(2,631)	(37,213)
At 1 April 2015	(578)	(34,004)	(2,631)	(37,213)
Charge for the year	(48)	(10,928)	(978)	(11,954)
Depreciation written off	–	8,015	170	8,185
At 31 March 2016	(626)	(36,917)	(3,439)	(40,982)
At 1 April 2016	(626)	(36,917)	(3,439)	(40,982)
Charge for the year	(64)	(9,705)	(1,180)	(10,949)
Depreciation written off	–	4,007	–	4,007
At 31 March 2017	(690)	(42,615)	(4,619)	(47,924)
At 1 April 2017	(690)	(42,615)	(4,619)	(47,924)
Charge for the period	(59)	(4,578)	(590)	(5,227)
At 30 September 2017	(749)	(47,193)	(5,209)	(53,151)

	Furniture, fixtures and equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value				
At 31 March 2015	118	21,206	2,098	23,422
At 31 March 2016	80	14,990	2,616	17,686
At 31 March 2017	471	11,617	1,436	13,524
At 30 September 2017	412	11,699	846	12,957

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group's plant and machinery and motor vehicles of net book value of HK\$11,158,000, HK\$7,074,000, HK\$2,110,000 and HK\$843,000, respectively, are held under finance lease (Note 23).

14. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Carrying amount at beginning of the year/period	3,360	3,880	3,600	4,020
Changes in fair value of investment properties recognised in profit or loss	520	(280)	420	240
Carrying amount at end of the year/period	3,880	3,600	4,020	4,260

Fair value measurement of investment property

The following table shows the Group's investment property measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

	As at 31 March			As at
	2015	2016	2017	30 September
	Level 3	Level 3	Level 3	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement				
Investment property:				
Residential property in Hong Kong	3,880	3,600	4,020	4,260

There were no transfers between Level 1, Level 2 and Level 3 during the Track Record Period.

The investment property was revalued at 31 March 2015, 2016 and 2017 and 30 September 2017 by independent, professionally qualified valuers, Greater China Appraisal Limited, who have the recent experience in the location and category of property being valued. The Group's management performs valuations of the investment properties for financial reporting purposes in consultation with valuers for complex valuation. Valuation techniques are selected based on the characteristics of the property, with the overall objective of maximising the use of market-based information.

Set out below are information about the fair values of investment property categorised under Level 3 fair value hierarchy:

	Valuation technique	Unobservable input	Range of unobservable input			30 September 2017
			31 March 2015	31 March 2016	31 March 2017	
Investment property:						
– Residential property	Income capitalisation approach (Note)	Rent	HKD348 per square meter per month	HKD348 per square meter per month	HKD348 per square meter per month	HKD380 per square meter per month
		Capitalisation rates	2.4% to 2.9%	2.5% to 3.0%	2.4% to 2.9%	2.3% to 2.8%

Note:

The fair values of the residential investment property in Hong Kong are determined using income capitalisation approach by capitalisation of future rental, which largely use unobservable inputs (e.g. market rent, yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

In the valuation, the capitalisation rate adopted is by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted for the valuers' knowledge of factors specific to the respective properties. The fair value measurement is positively correlated to the future rental and negatively correlated to the capitalisation rate.

The Group's borrowings are secured by investment properties with carrying values at 31 March 2015, 2016 and 2017 and 30 September 2017 of HK\$3,880,000, HK\$3,600,000, HK\$4,020,000 and HK\$4,260,000 (Note 22).

15. INVESTMENT IN A SUBSIDIARY

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Unlisted investment	–	–	–	143,375

Particulars of the subsidiary of the Company are set out in Note 1.2 of this report.

16. TRADE AND OTHER RECEIVABLES

		As at 31 March			As at
	Notes	2015	2016	2017	30 September
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
Trade receivables					
– from third parties	(a)	18,884	17,988	37,366	52,352
Deposit, prepayment and other receivables					
Retention receivables	(b)	25,583	30,097	38,230	56,231
Other receivables and prepayment		294	680	3,209	3,700
Utility and other deposits		17	17	150	150
		25,894	30,794	41,589	60,081
Amount due from the ultimate holding company	(c)	–	–	390	390
		25,894	30,794	41,979	60,471
		44,778	48,782	79,345	112,823

The director of the Group considers that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

(a) Trade receivables

The Group usually provides customers with a credit term of 28 to 45 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice dates (or date of revenue recognition, if earlier), the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
0–30 days	17,684	17,988	37,366	36,044
31–60 days	1,200	–	–	16,308
61–90 days	–	–	–	–
	<u>18,884</u>	<u>17,988</u>	<u>37,366</u>	<u>52,352</u>

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised at 31 March 2015, 2016 and 2017 and 30 September 2017.

Ageing of trade receivables which are past due but not impaired were as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Neither past due nor impaired	17,684	17,988	37,366	37,393
Less than 30 days past due	1,200	–	–	14,959
	<u>18,884</u>	<u>17,988</u>	<u>37,366</u>	<u>52,352</u>

Trade receivables which were past due but not impaired related to 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 significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Retention receivables

Retention receivables represent certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum.

Based on the invoice dates, the ageing analysis of the retention receivables, net of provision for impairment, was as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Due within one year	25,136	28,848	30,581	38,037
Due after one year	447	1,249	7,649	18,194
	<u>25,583</u>	<u>30,097</u>	<u>38,230</u>	<u>56,231</u>

Retention receivables are interest-free and repayable approximately one year after the expiry of the maintenance period of construction projects.

No amounts in relation to other receivables were past due at 31 March 2015, 2016 and 2017 and 30 September 2017.

(c) **Amount due from the ultimate holding company**

The amount due from the ultimate holding company is unsecured, interest-free and repayable on demand. All the outstanding balance will be fully settled upon the Listing.

17. AMOUNTS DUE FROM/(TO) A DIRECTOR

(a) Particulars of amounts due from a director as follows:

	As at 1 April 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Mr. Yip	–	–	36,628	–	–
					Six months ended 30 September 2017
		Year ended 31 March 2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	30 September 2017 <i>HK\$'000</i>
Maximum outstanding amount during the year/period:					
Mr. Yip		–	36,628	–	–

(b) Particulars of amounts due to a director as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 30 September 2017 <i>HK\$'000</i>
Mr. Yip	17,851	3,000	4,227	4,093

The amounts due from/(to) a director are non-trade in nature. The amounts due are unsecured, non-interest bearing and repayable on demand. The Group will fully settle the amounts due from/(to) a director by the Group's internal financial resources upon the Listing.

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the amounts due to a director comprise a subordinated loan from Mr. Yip with a carrying amount of HK\$3,000,000, HK\$3,000,000, HK\$3,000,000 and HK\$3,000,000 respectively, which are unsecured, non-interest bearing and repayable on demand.

The director of the Group consider that the fair value of amounts due from/(to) a director is not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

18. AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Contract costs incurred plus recognised profits less recognised losses	751,298	762,937	390,032	798,889
Less: progress billings	(674,990)	(705,272)	(360,018)	(748,488)
Contract work-in-progress	<u>76,308</u>	<u>57,665</u>	<u>30,014</u>	<u>50,401</u>
Analysed for reporting purposes as:				
Amounts due from customers on construction contracts	77,938	58,675	31,107	51,549
Amounts due to customers on construction contracts	(1,630)	(1,010)	(1,093)	(1,148)
	<u>76,308</u>	<u>57,665</u>	<u>30,014</u>	<u>50,401</u>

The gross amounts due from/(to) customers on construction contracts are expected to be recovered/settled within one year.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Financial assets held for trading				
Unlisted securities Unit Trust Fund	7,824	2,253	2,589	–
Listed equity investments in Hong Kong	–	7,435	–	–
	<u>7,824</u>	<u>9,688</u>	<u>2,589</u>	<u>–</u>

The fair value of the Group's financial assets at fair value through profit or loss has been measured as described in Note 29.5.

20. CASH AND BANK BALANCES

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank	11,514	7,482	36,675	32,828
Less: Bank overdraft (<i>Note 22</i>)	(2,834)	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents per consolidated statement of cash flows	<u>8,680</u>	<u>7,482</u>	<u>36,675</u>	<u>32,828</u>

Note: Cash at banks earns interest at floating rates based on daily bank deposit rates.

21. TRADE AND OTHER PAYABLES

		As at 31 March			As at 30 September
	Notes	2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	(a)	52,233	37,682	31,535	38,002
Accruals and other payables		435	486	2,033	4,193
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u>52,668</u>	<u>38,168</u>	<u>33,568</u>	<u>42,195</u>

Notes:

(a) Trade payables

Payment terms granted by suppliers are 0 to 30 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	46,527	37,682	31,535	38,002
31–60 days	5,667	–	–	–
61–90 days	37	–	–	–
Over 90 days	2	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>52,233</u>	<u>37,682</u>	<u>31,535</u>	<u>38,002</u>

(b) All trade and other payables are denominated in HK\$.

(c) All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

22. BORROWINGS, SECURED

At 31 March 2015, 2016 and 2017 and 30 September 2017, the secured bank loans were repayable as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts (<i>note (a)</i>)	2,834	–	–	–
Bank loans shown under current liabilities (<i>note (b) and (d)</i>)	4,390	2,131	895	56
	<u>7,224</u>	<u>2,131</u>	<u>895</u>	<u>56</u>
Carrying amount based on scheduled repayment date repayable:				
Within one year or on demand	5,093	1,623	895	56
More than one year, but not exceeding two years	1,623	508	–	–
More than two years, but not more than five years	508	–	–	–
	<u>7,224</u>	<u>2,131</u>	<u>895</u>	<u>56</u>

- (a) At 31 March 2015, the bank overdrafts are interest-bearing at 6% per annum.
- (b) At 31 March 2015, 2016 and 2017 and 30 September 2017, the bank loans are interest-bearing at 4.61%, 4.91%, 3.92% and 5.00% per annum respectively.
- (c) At 31 March 2015, 2016 and 2017 and 30 September 2017, the banking facilities of the Group were secured by:
- (1) Charge on the properties owned by Kit Kee Engineering (Note 14) and Mr. Yip's spouse;
 - (2) Unlimited guarantee given by Mr. Yip;
 - (3) Assignment of keyman life insurance policies covering Mr. Yip with aggregate insured sum of approximately HK\$10,000,000; and
 - (4) Guarantee of HK\$9,600,000 as at 31 March 2015, 2016 and 2017 and HK\$5,600,000 as at 30 September 2017, given by the Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.
- (d) Bank loans contain a repayment on demand clause and are therefore classified as current liabilities. None of the portion of bank loans due from repayment after one year is expected to be settled within one year.
- (e) The personal guarantee from Mr. Yip and charges on the properties will be released upon Listing.

23. OBLIGATION UNDER FINANCE LEASES

The analysis of the Group's obligations under finance lease is as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Total minimum lease payments:				
Within one year	3,096	3,290	2,577	2,577
After one year but within two years	3,096	3,290	2,577	2,577
After two years but within five years	8,337	5,548	2,362	1,072
	<u>14,529</u>	<u>12,128</u>	<u>7,516</u>	<u>6,226</u>
Future finance charges	<u>(1,642)</u>	<u>(1,130)</u>	<u>(520)</u>	<u>(358)</u>
Present value of lease obligation	<u>12,887</u>	<u>10,998</u>	<u>6,996</u>	<u>5,868</u>
	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Present value of minimum lease payment:				
Within one year	2,515	2,809	2,285	2,344
After one year but within two years	2,634	2,928	2,404	2,463
After two years but within five years	7,738	5,261	2,307	1,061
	<u>12,887</u>	<u>10,998</u>	<u>6,996</u>	<u>5,868</u>
Less: Portion due within one year included under current liabilities	<u>(2,515)</u>	<u>(2,809)</u>	<u>(2,285)</u>	<u>(2,344)</u>
Portion due after one year included under non-current liabilities	<u>10,372</u>	<u>8,189</u>	<u>4,711</u>	<u>3,524</u>

The Group has entered into finance leases for plant and machinery and motor vehicles. These lease periods are for 4 to 5 years. At the end of the lease term, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases includes contingent rentals. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the effective interest rate on these finance leases was 5.01% to 5.21%, 5.01% to 5.21%, 5.01% to 5.21% and 5.01% to 5.21% respectively, per annum.

Obligation under finance leases are effectively secured by the underlying assets at the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

24. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong.

The movement in deferred tax liabilities and recognised in the consolidated statements of the financial position during the Track Record Period are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
As at 31 March 2014 and 1 April 2014	1,048
Recognised in profit or loss (<i>Note 9</i>)	1,130
	<hr/>
As at 31 March 2015 and 1 April 2015	2,178
Recognised in profit or loss (<i>Note 9</i>)	(693)
	<hr/>
As at 31 March 2016 and 1 April 2016	1,485
Recognised in profit or loss (<i>Note 9</i>)	(407)
	<hr/>
As at 31 March 2017 and 1 April 2017	1,078
Recognised in profit or loss (<i>Note 9</i>)	(151)
	<hr/>
As at 30 September 2017	927
	<hr/> <hr/>

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Group did not have any material unrecognised deferred tax assets/liabilities.

25. CAPITAL AND RESERVE**(a) Share capital**

The Company was incorporated in Cayman Island as an exempted company under the Cayman Companies Law with limited liability on 22 February 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On 22 February 2017 and 26 May 2017, 1 share and 349,999 shares of HK\$0.01 each are allotted and issued respectively.

Upon the completion of the Reorganisation on 21 August 2017, the Company became the holding company of the Group.

Since the Reorganisation was not completed on 31 March 2017, the share capital in the consolidated statements of financial position as at 31 March 2015, 2016 and 2017 represented an aggregate amount of the paid up share capital of the companies comprising the Group. The share capital in the consolidated statement of financial position as at 30 September 2017 represents the share capital of the Company.

(b) Reserve

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Other reserve of the Group represents the difference between the nominal values of the share capital of subsidiaries acquired by the Group and the nominal value of the Company's share issued under the Reorganisation.

Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 22 February 2017 (date of incorporation), 31 March 2017 and 1 April 2017	–	–	–
Effect of Reorganisation (<i>Note</i>)	143,371	–	143,371
	<hr/>	<hr/>	<hr/>
Balance as at 30 September 2017	143,371	–	143,371
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note: Other reserve of the Company represents the difference between the aggregate net assets values of subsidiaries acquired by the Company and the nominal value of the Company's share issued under the Reorganisation.

(c) Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the gearing ratio. For this purpose gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings include bank borrowings, amounts due to a director and obligation under finance leases. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio at the end of each of the Track Record Period:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total borrowings				
Borrowings	7,224	2,131	895	56
Amounts due to a director	17,851	3,000	4,227	4,093
Obligation under finance leases	12,887	10,998	6,996	5,868
	<hr/>	<hr/>	<hr/>	<hr/>
	37,962	16,129	12,118	10,017
Total equity	73,359	117,378	118,380	151,005
	<hr/>	<hr/>	<hr/>	<hr/>
Gearing ratio	51.7%	13.7%	10.2%	6.63%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

26. OPERATING LEASE COMMITMENTS

As lessee

At the end of each of the Track Record Period, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
Within one year	–	–	510	141
	<u>–</u>	<u>–</u>	<u>510</u>	<u>141</u>

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of one year. The leases do not include contingent rentals.

As lessor

At the end of each of the Track Record Period, the total future minimum lease receipts receivables by the Group under non-cancellable operating leases are as follows:

	As at 31 March			As at
	2015	2016	2017	30 September
	HK\$'000	HK\$'000	HK\$'000	2017
Within one year	36	132	36	144
In the second to fifth years	–	36	–	111
	<u>36</u>	<u>168</u>	<u>36</u>	<u>255</u>

The Group leases its investment properties (Note 14) under operating lease arrangements which run for a lease term of one to two years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenant.

27. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in this report, the Group had the following transactions with its related company and key management personnel during the Track Record Period.

Relationship	Transaction	Year ended 31 March			Six months ended 30 September	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
A related company*	Cost of transportation services	9,966	4,125	-	-	-

* The related company refers to Sun Kee Transport & Engineering Company (“Sun Kee”), which was wholly-owned by Mr. Yip Yiu Chung, being Mr. Yip’s brother-in-law. Mr. Yip Yiu Chung was also one of the then shareholders and directors of Kit Kee Engineering since incorporation until November 2004.

Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the Track Record Period are as follows:

	Year ended 31 March			Six months ended 30 September	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Salaries, fee and allowances	848	848	1,118	484	874
Discretionary bonuses	-	-	360	-	-
Retirement benefit scheme contributions	42	42	48	24	33
	<u>890</u>	<u>890</u>	<u>1,526</u>	<u>508</u>	<u>907</u>

28. CONTINGENT LIABILITIES

At 31 March 2015, 2016 and 2017 and 30 September 2017, the Group has been involved in a number of claims, litigations and potential claims against the Group in relation to work-related injuries and non-compliances, details of which are disclosed in the sections headed “Business – Litigation and claims” and “Business – Non-compliances” in the Prospectus. The director is of the opinion that the claims, litigations and non-compliances are not expected to have a material impact on the Historical Financial Information, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the Historical Financial Information.

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

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.

29.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and liabilities:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Loans and receivables:				
– Trade and other receivables	44,484	48,102	75,746	109,123
– Amounts due from a director	–	36,628	–	–
Cash and bank balances	11,514	7,482	36,675	32,828
	<u>55,998</u>	<u>92,212</u>	<u>112,421</u>	<u>141,951</u>
Financial assets at fair value through profit or loss	7,824	9,688	2,589	–
	<u>63,822</u>	<u>101,900</u>	<u>115,010</u>	<u>141,951</u>
Financial liabilities				
At amortised costs:				
– Trade and other payables	(52,668)	(38,168)	(33,568)	(42,195)
– Obligation under finance leases	(12,887)	(10,998)	(6,996)	(5,868)
– Borrowings	(7,224)	(2,131)	(895)	(56)
– Amounts due to a director	(17,851)	(3,000)	(4,227)	(4,093)
	<u>(90,630)</u>	<u>(54,297)</u>	<u>(45,686)</u>	<u>(52,212)</u>

29.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings and obligation under finance leases bearing variables rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively and the exposure to the Group is considered immaterial.

The exposure to interest rate risk for the Group bank balances is considered immaterial.

29.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at 31 March 2015, 2016 and 2017 and 30 September 2017 as summarised in Note 29.1.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 March 2015, 2016 and 2017 and 30 September 2017, the Group has concentration of credit risk as 85% and 100%, 88% and 100%, 82% and 97%, and 54% and 98% of the total trade and other receivables were due from the Group's largest customer and five largest customers respectively. The aggregate amounts of trade and retention receivables from these customers amounted to HK\$37,983,000 and HK\$44,467,000, HK\$42,271,000 and HK\$48,085,000, HK\$61,973,000 and HK\$73,453,000, and HK\$58,843,000 and HK\$106,782,000 of the Group's total trade and retention receivables at 31 March 2015, 2016 and 2017 and 30 September 2017 respectively.

29.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities at 31 March 2015, 2016 and 2017 and 30 September 2017. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year <i>HK\$'000</i>	Over 1 year but within 5 years <i>HK\$'000</i>	Total undiscounted cash flow <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
At 31 March 2015				
Trade and other payables	(52,668)	–	(52,668)	(52,668)
Obligations under finance leases	(3,096)	(11,433)	(14,529)	(12,887)
Borrowings, secured (note (a))	(5,419)	(2,206)	(7,625)	(7,224)
Amounts due to a director	(17,851)	–	(17,851)	(17,851)
	<u>(79,034)</u>	<u>(13,639)</u>	<u>(92,673)</u>	<u>(90,630)</u>
At 31 March 2016				
Trade and other payables	(38,168)	–	(38,168)	(38,168)
Obligations under finance leases	(3,290)	(8,838)	(12,128)	(10,998)
Borrowings, secured (note (a))	(1,691)	(515)	(2,206)	(2,131)
Amounts due to a director	(3,000)	–	(3,000)	(3,000)
	<u>(46,149)</u>	<u>(9,353)</u>	<u>(55,502)</u>	<u>(54,297)</u>
At 31 March 2017				
Trade and other payables	(33,568)	–	(33,568)	(33,568)
Obligations under finance leases	(2,577)	(4,939)	(7,516)	(6,996)
Borrowings, secured (note (a))	(903)	–	(903)	(895)
Amounts due to a director	(4,227)	–	(4,227)	(4,227)
	<u>(41,275)</u>	<u>(4,939)</u>	<u>(46,214)</u>	<u>(45,686)</u>
At 30 September 2017				
Trade and other payables	(42,195)	–	(42,195)	(42,195)
Obligations under finance leases	(2,577)	(3,649)	(6,226)	(5,868)
Borrowings, secured (note (a))	(56)	–	(56)	(56)
Amounts due to a director	(4,093)	–	(4,093)	(4,093)
	<u>(48,921)</u>	<u>(3,649)</u>	<u>(52,570)</u>	<u>(52,212)</u>

Note:

- (a) Bank loans with a repayment on demand clause are included in the “On demand or within one year” time band in the above maturity analysis. As at 31 March 2015, 2016 and 2017 and 30 September 2017, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$5,093,000, HK\$1,623,000, HK\$895,000 and HK\$56,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their

discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

29.5 Fair value measurement of financial instruments

(a) Financial assets measured at fair value

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1:	quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Fair value as at 31 March HK\$'000	Fair value measurement using Level 1 HK\$'000	Fair value measurement using Level 2 HK\$'000	Fair value measurement using Level 3 HK\$'000
31 March 2015				
Recurring fair value measurement				
Financial assets at fair value				
through profit or loss:				
Unlisted unit trust funds	7,824	–	7,824	–
	<u>7,824</u>	<u>–</u>	<u>7,824</u>	<u>–</u>
31 March 2016				
Recurring fair value measurement				
Financial assets at fair value				
through profit or loss:				
Unlisted unit trust funds	2,253	–	2,253	–
Listed securities	7,435	7,435	–	–
	<u>7,435</u>	<u>7,435</u>	<u>–</u>	<u>–</u>
31 March 2017				
Recurring fair value measurement				
Financial assets at fair value				
through profit or loss:				
Unlisted unit trust funds	2,589	–	2,589	–
	<u>2,589</u>	<u>–</u>	<u>2,589</u>	<u>–</u>

There were no transfers between categories during the Track Record Period.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 2 are unchanged compared to the previous reporting periods and are described below: The unlisted unit trust funds' fair values have been determined by reference to their quoted prices as stated in the bank statements at each of the reporting date. The effects of non-observable inputs are not significant for the unlisted unit trust funds.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carry amounts of the Group's financial assets and liabilities are not materially different from their fair values at the end of each of the Track Record Period due to their short maturities.

30. MAJOR NON-CASH TRANSACTIONS

For the years ended 31 March 2015 and 2016, the Group entered into finance lease arrangements in respect of motor vehicles and plant and machinery with a total capital value at the inception of the leases of HK\$13,245,000 and HK\$701,000 respectively, which were directly settled by licensed banks to the sellers of motor vehicles and plant and machinery.

III. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 September 2017:

- (i) The Group's outstanding balances with a director (Note 17) included a subordinated loan from Mr. Yip with a carrying amount of HK\$3 million, which was arranged upon the request of the bank such that as long as any sum owing by Kit Kee Engineering to the bank remains outstanding, the subordinated loan shall not be fully repaid. Such arrangement will be released and the subordinated loan will be repaid by the Company upon listing. Remaining balances with a director and guarantees from a director (Note 22) are expected to be settled and released respectively upon successful public listing of the Company on The Stock Exchange of Hong Kong.
- (ii) Pursuant to a shareholders resolution dated 18 January 2018, and conditional upon the share premium account of the Company being credited as a result of the issue of the new shares pursuant to the Share Offer, the directors are authorised to allot and issue a total of 899,650,000 shares credited as fully paid at par to the holders of the shares on the register of members of the Company at the close of business on 18 January 2018 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalisation of the sum of approximately HK\$8,996,500 standing to credit of the share premium account of the Company.

IV. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this prospectus (the "Accountants' Report"), 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 of this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2017, as if the Share Offer had taken place on 30 September 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to equity holders of the Company had the Share Offer been completed as at 30 September 2017 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2017 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of 30 September 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share HK\$ (Note 3)
Based on the Offer Price of HK\$0.40 per Share	151,005	106,620	257,625	0.21
Based on the Offer Price of HK\$0.30 per Share	151,005	77,820	228,825	0.19

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The amount is calculated based on audited consolidated net assets of our Group attributable to equity holders of the Company as at 30 September 2017 amounting to approximately HK\$151,005,000, extracted from the Accountants' Report of the Group set out in Appendix I of this prospectus.
- (2) The estimated net proceeds from the Share offer are based on 300,000,000 Shares at the Offer Price of HK\$0.30 and HK\$0.40 per Share, being the low-end and high-end of the indicative range of the Offer price respectively, after deduction of the estimated underwriting fees and other related expenses (excluding Listing related expenses of approximately HK\$12,674,000, which have been accounted for prior to 30 September 2017) expected to be incurred by our Group subsequent to 30 September 2017.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,200,000,000 Shares, being the number of Shares expected to be in issue immediately following the completion of the Capitalisation issue and the Share offer.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 30 September 2017 to reflect any trading results or other transactions of our Group entered into subsequent to 30 September 2017.

The following is the text of the assurance report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



26 January 2018

TO THE DIRECTORS OF DRAGON RISE GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Dragon Rise Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 September 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 26 January 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited by way of public offer and placing on the Group's financial position as at 30 September 2017 as if the event had taken place as at 30 September 2017. As part of this process, information about the Group's financial position as at 30 September 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 Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statement, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Chan Tze Kit

Practising Certificate Number: P05707

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 30 November 2017 of the real property interest of the Group.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703, 27th Floor,
Shui On Centre,
6–8 Harbour Road,
Wanchai, Hong Kong

26 January 2018

The Board of Directors
Dragon Rise Group Holdings Limited
Office K, 12/F, Kings Wing Plaza 2
No. 1 On Kwan Street, Shatin
New Territories
Hong Kong

Dear Sir,

In accordance with the instructions from Dragon Rise Group Holdings Limited (the “**Company**”) to value a real property held by the Company and/or its subsidiaries (together referred to as the “**Group**”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the real property as at 30 November 2017 (referred to as the “**valuation date**”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real property and the limiting conditions.

I. BASIS OF VALUATION

The valuation of the real property interest is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

We have valued the real property interest by using the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalized at an appropriate capitalization rate with due allowance for the reversionary interests after expiry of the tenancies.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the real property interest.

For the real property which is held under long term government lease, we have assumed that the owner of the real property has free and uninterrupted rights to use, transfer or lease the real property for the whole of the unexpired term of the respective government lease. In our valuation, we have assumed that the real property can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

Other specific assumptions of the real property, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interest. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property interest set out in this report.

V. LIMITING CONDITIONS

We have inspected the exterior of the real property. However, no structural survey has been made and we are therefore unable to report as to whether the real property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas of the real property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as, as relevant, planning approvals, statutory notices, easements, tenure, occupation, lettings, rentals and floor areas and in the identification of the real property. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the real property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VI. OPINION OF VALUE

Our opinion of the market value of the real property interest is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interest, we have complied with the requirements contained in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

External site inspection of the real property was conducted in February 2017 and January 2018 by Phoebe W. Y. Fung (BSc). According to the information provided by the Company, the real property was maintained in a reasonable condition commensurate with its respective age and use and equipped with normal building services.

Unless otherwise stated, the monetary amounts herein are denominated in the currency of Hong Kong Dollars (refer to as “**HK\$**”).

We enclose herewith the valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, FHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 29 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

VALUATION CERTIFICATE

Real property held for investment by the Group in Hong Kong

Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 30 November 2017
11th Floor, Fortune Court, No. 8 Fuk Tsun Street, Tai Kok Tsui, Kowloon, Hong Kong	The subject building, namely Fortune Court, is a single block residential building completed in about 1996. The building comprises 19-storey with 1 flat on each floor. It is served by one lift and two stairs.	The real property is subject to a tenancy agreement for a term of 2 years commencing from 9 July 2017 to 9 July 2019. The rent is HK\$12,000 per month including government rent, rates and management fees.	HK\$4,290,000 (Hong Kong Dollars Four Million Two Hundred and Ninety Thousand)
5/133rd shares of and in Kowloon Inland Lot No. 9883	The real property comprises a residential flat on the 11th Floor. The saleable area of the real property is approximately 340 square feet (31.59 square metres). The real property is held under a government lease for a term of 150 years commencing from 1 January 1899 at a government rent of HK\$82 per annum for the lot.		

Notes:

- (i) The registered owner of the real property is Kit Kee Engineering Limited vide Memorial No. UB6871830 dated 4 December 1996.
- (ii) The real property is subject to a mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited to the extent of all monies vide Memorial No. UB6871831 dated 4 December 1996.
- (iii) In the course of our valuation, as no internal inspection can be arranged by the Company, we are not in the position to advise on the existing internal condition of the real property. We have assumed that the interior of the real property has been maintained in a reasonable maintenance and repairing condition commensurate with its age and usage.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 January 2018 and with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such

separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) *Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place.

Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the

absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide

in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to

have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an

annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made

payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be

issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 22 February 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 28 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it

upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the

interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraphs headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 February 2017. Our Company has established a place of business in Hong Kong at Office K, 12/F., Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 31 March 2017. In connection with such registration, Mr. Yip and Mr. Cheung has been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. One Share was allotted and issued to the initial subscriber, an independent third party. On the same day, such subscriber was transferred to Fame Circle.
- (b) On 26 May 2017, in consideration of the acquisition by our Company of the entire issued share capital of Richer Ventures, our Company allotted and issued an aggregate of 49,999 new Shares, credited as fully paid, to Fame Circle as directed by Mr. Yip.
- (c) On 26 May 2017, in consideration of the acquisition by Richer Ventures of the entire issued share capital of Kit Kee Engineering, our Company allotted and issued an aggregate of 300,000 new Shares, credited as fully paid, to Fame Circle as directed by Mr. Yip.
- (d) On 8 February 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares in the capital of the Company by a shareholder's resolution of the Company, each ranking *pari passu* with our Shares then in issue in all respects.
- (e) Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise any options which may be granted under the Share Option Scheme), 1,200,000,000 Shares will be issued fully paid or credited as fully paid and 8,800,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital within two years immediately preceding the date of this prospectus.

3. Changes in share capital of the subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed "History and development – Reorganisation" in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholder passed on 18 January 2018

Under the written resolutions of our Shareholder passed on 18 January 2018, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreements on the date as specified in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus):
 - (i) the Share Offer by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer; (bb) implement the Share Offer and the listing of Shares on Main Board; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in 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 their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$8,996,500 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par value a total of 899,650,000 Shares for allotment and issuance to the Shareholders appear on the register of members of our Company as of 18 January 2018 (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall 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 in (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), 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 cash dividend in accordance with the Memorandum and Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Capitalisation Issue or the Share Offer, Shares with an aggregate nominal value not exceeding the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the date by which the next annual general meeting of our Company is required by the Memorandum and Articles or any applicable law to be held; or (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors;

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the date by which the next annual general meeting of our Company is required by the Memorandum and Articles or any applicable law to be held; or (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors; and

- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) On 22 December 2016, Fame Circle was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 3 January 2017, 50,000 shares of Fame Circle were allotted and issued to Mr. Yip at par value. Since then, Mr. Yip became the sole shareholder of Fame Circle.

- (b) On 25 October 2016, Richer Ventures was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On 3 January 2017, 50,000 shares of Richer Ventures were allotted and issued to Fame Circle at par value and Richer Ventures became a wholly-owned subsidiary of Fame Circle.
- (c) On 22 February 2017, our Company was incorporated in Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, which one Share was allotted and issued to the initial subscriber, an independent third party, which was transferred to Fame Circle on the same day. Immediately upon completion of the aforesaid transfer of Share, the entire issued share capital of our Company was owned by Fame Circle.
- (d) On 26 May 2017, our Company acquired 50,000 shares in Richer Ventures, being 100% of the issued share capital of Richer Ventures, from Fame Circle. In consideration thereof, (i) our Company allotted and issued an aggregate of 49,999 new Shares, credited as fully paid, to Fame Circle as directed by Mr. Yip; and (ii) the one Share transferred to Fame Circle as referred to in (c) above was credited as fully paid at the direction of Mr. Yip. Immediately upon completion of the above, our Company had 50,000 Shares in issue and Richer Ventures became a wholly-owned subsidiary of our Company.
- (e) On 26 May 2017, Richer Ventures entered into the share sale and purchase agreement with, among others, Mr. Yip to acquire 300,000 shares in Kit Kee Engineering, being 100% of the issued share capital of Kit Kee Engineering, from Mr. Yip. In consideration thereof, (i) Richer Ventures allotted and issued 300,000 new shares, credited as fully paid, to our Company as directed by Mr. Yip; and (ii) our Company allotted and issued 300,000 new Shares, credited as fully paid, to Fame Circle as directed by Mr. Yip. On 2 August 2017, the number of authorised shares of Richer Ventures was increased from 50,000 shares with each of a par value of US\$1.00 to 1,000,000 shares with each of a par value of US\$1.00. On 21 August 2017, a written board resolution and shareholders' resolution of Richer Ventures were passed to resolve that the issuance of 300,000 new shares to our Company. Immediately upon completion of the above, (i) Richer Ventures had 350,000 shares in issue; (ii) our Company had 350,000 Shares in issue; (iii) Fame Circle had 50,000 shares in issue; and (iv) Kit Kee Engineering became a wholly-owned subsidiary of Richer Ventures.
- (f) On 18 January 2018, our Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by creation of an additional 9,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.

Following the Reorganisation, our Company became the holding company of our Group. The shareholding structure of the members of our Group upon completion of the Reorganisation, the Capitalisation Issue and the Share Offer is set out in the section headed "History and development" in this prospectus.

6. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholder's approval*

The Listing Rules provide that all proposed repurchases of Shares (which must be fully paid in the case of Shares) by the Company with a primary listing 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.

Note: Pursuant to the written resolutions of the Shareholder passed on 18 January 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the date by which the next annual general meeting of our Company is required by the Memorandum and Articles or any applicable law to be held; or (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

(ii) *Source of funds*

Repurchases must be funded 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 shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a Director, chief executive or substantial shareholder of our Company or any of the subsidiaries or an close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Funding of repurchase

In repurchasing Shares, 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 including the Companies Law.

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 Company, 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 to 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 or the gearing level of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands including the Companies Law.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group 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.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts


The following contracts (not being contracts in the ordinary and usual 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) the share sale and purchase agreement dated 26 May 2017 entered into among Fame Circle and our Company for the transfer of the 50,000 shares in Richer Ventures, in consideration of our Company (i) allotting and issuing an aggregate of 49,999 new Shares, credited as fully paid, to Fame Circle as directed by Mr. Yip; and (ii) crediting as fully paid the one initial nil-paid subscriber Share held by Fame Circle as directed by Mr. Yip;
- (b) the share sale and purchase agreement dated 26 May 2017 entered into among our Company, Richer Ventures, Fame Circle and Mr. Yip for the transfer of the 300,000 shares in Kit Kee Engineering from Mr. Yip to Richer Ventures, in consideration of (i) Richer Ventures allotting and issuing 300,000 new shares, credited as fully paid, to our Company as directed by Mr. Yip; and (ii) our Company allotting and issuing 300,000 new Shares, credited as fully paid, to Fame Circle as directed by Mr. Yip;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group owned the following trademark:

Trademark	Place of application	Class	Applicant	Application number	Expiry date
	Hong Kong	37	Richer Ventures	304044933	12 February 2027

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Registered owner	Domain name	Registration date	Expiry date
Kit Kee Engineering	www.kitkee.com.hk	23 November 2016	23 November 2018

Our Directors confirm that we will renew the registration of our domain names before its expiry.

C. DISCLOSURE OF INTEREST

1. Interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations following the Share Offer

Immediately following completion of the Capitalisation Issue and the Share Offer, but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions 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 as referred to therein, or will be required, or pursuant to the Listing Rules, to be notified to our Company and the Stock Exchange will be as follows:

(i) Long position in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held/interested in immediately following the completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding interests
Mr. Yip ^(Note)	Interest in controlled corporation	900,000,000	75%

Note: Our Company will be owned as to approximately 75% by Fame Circle immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Fame Circle is legally and beneficially owned as to 100% by Mr. Yip. Under the SFO, Mr. Yip is deemed to be interested in the same number of Shares held by Fame Circle.

(ii) Long position in the Shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of Share held/interested in	Percentage of interest in our associated corporations
Mr. Yip	Fame Circle	Beneficial interest	50,000	100%

2. Interests and short positions of substantial shareholders in the Shares, underlying Shares and debentures of our Company and its associated corporations

So far as it is known to our Directors and save as disclosed in this prospectus, immediately following the completion of the Capitalisation Issue and the Share Offer, but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

Name	Capacity/ Nature of interest	Number of Shares held/interested in immediately following the completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding interests
Fame Circle <i>(Note 1)</i>	Beneficial owner	900,000,000	75%
Mrs. Yip <i>(Note 2)</i>	Interest of spouse	900,000,000	75%

Notes:

- Our Company will be owned as to 75% by Fame Circle immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Fame Circle is 100% legally and beneficially by Mr. Yip. Under the SFO, Mr. Yip is deemed to be interested in the same number of Shares held by Fame Circle. Mr. Yip is the sole director of Fame Circle.
- Mrs. Yip is the spouse of Mr. Yip. Under the SFO, Mrs. Yip is deemed to be interested in the same number of Shares in which Mr. Yip is interested.

3. Particulars of service agreements and appointment letters**(a) Executive Directors**

Each of our executive Directors has entered into a service agreement with our Company pursuant to which he or she has agreed to act as an executive Director for a fixed term of three years with effect from the Listing Date and the annual director's fee is HK\$720,000. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless either party has given at least one month's written notice of non-renewal before the expiry of the then existing term.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for a fixed term of three years with effect from the Listing Date and is entitled to an annual director's fee of HK\$180,000. Save for our Directors' fees, none of the independent non-executive Directors is expected to receive any other emolument for holding his office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service agreement with our Company or any of the subsidiaries (other than the contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Directors' emoluments

- (a) For each of FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017, the aggregate remuneration, including salaries, allowances, benefits in kind and retirement scheme contribution, paid to our Director were approximately HK\$0.3 million, HK\$0.3 million, HK\$0.7 million and HK\$0.2 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2018 are expected to be approximately HK\$1.0 million.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017 (i) as an inducement to join or upon joining our Company 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.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2014/15, FY2015/16, FY2016/17 and the six months ended 30 September 2017.
- (e) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. Yip	720,000
Mr. Cheung	720,000
Independent non-executive Directors	<i>HK\$</i>
Mr. Lo Chi Wang	180,000
Mr. Chan Ka Yu	180,000
Mr. Lee Kwok Lun	180,000

- (f) Each of our executive Directors and non-executive Director is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his or her duties to our Group under the service agreement.

5. Fees or commission received

Save as disclosed in the section headed “Underwriting – Commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix had received any agency fee or commissions from our Group within the two years immediately preceding the date of this prospectus.

6. Related party transactions

Details of the related party transactions are set out under Note 26 to the Accountants’ Report as set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) 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 corporation 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 Listing Rules, in each case once the Shares are listed;
- (b) without taking into account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of 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 will, immediately following the completion of the Capitalisation Issue and the Share Offer, 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, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors or the experts named in paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix has been directly or indirectly interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, 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 or the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (e) none of the experts named in paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	18 January 2018, the date on which the Share Option Scheme is conditionally adopted by all Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Offer”	an offer of the grant of Options made in accordance with the terms of the Share Option Scheme
“Offer Date”	the date of Offer
“Option(s)”	option(s) to subscribe for Shares granted and accepted pursuant to the Share Option Scheme
“Option Period”	the period for the exercise of an Option to be notified by the Board to the Grantee, but in any event shall not exceed ten years from the Offer Date
“Participant”	any person who satisfies the eligibility requirements set out in paragraph (b)(2) below
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option

(b) Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 18 January 2018:

(1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel of our Group, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Share Option Scheme will give the Participants an opportunity to have a personal stake in our Company and will help to motivate the Participants in optimising their performance and efficiency and attract and retain the Participants whose contributions are important to the long-term growth and profitability of our Group.

(2) Who may join

The Board may, at its absolute discretion, grant any employee (full-time or part-time), director, consultant or advisor of any member of our Group, or any substantial shareholder of our Company, or any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of our Group, Options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any Option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(3) Price of Shares and grant of Options and consideration for the Options

- (i) The Subscription Price shall be determined solely by the Board and notified to a Participant and shall be at least the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (c) the nominal value of a Share on the Offer Date.
- (ii) A nominal consideration of HK\$1.00 is payable on acceptance of the grant of Options.

(4) *Maximum number of Shares*

- (i) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in the limit being exceeded. Therefore, it is expected that our Company may grant options in respect of up to 120,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 120,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) Subject to sub-paragraphs (iii) and (iv) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue upon the Listing Date (i.e. 120,000,000 Shares).
- (iii) The 10% limit as mentioned under above sub-paragraph (ii) may be refreshed at any time by approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and other share option schemes of our Company) will not be counted for the purpose of calculating the limit as “refreshed”. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (iv) Subject to the above sub-paragraph (i), our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the 10% limit under sub-paragraphs (ii) and (iii) provided the Options in excess of the limit are granted only to Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of the specified persons who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting

such Options to the specified persons with an explanation of how the terms of the Options will serve the purpose and all other information required under the Listing Rules.

(5) *Maximum entitlement of each Participant*

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding Options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to date of grant must not exceed 1% of the Shares in issue. Any further grant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue must be separately approved by our Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting, and the number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the Shareholders' approval. In such event, our Company must send a circular to our Shareholders containing the identity of the Participant, the number and terms of Options to be granted (and Options previously granted to such person) and all other information required under the Listing Rules.

(6) *Grant of Options to connected persons*

- (i) Any grant of an Option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding independent non-executive Director who is the grantee of the Option).
- (ii) Where any grant of Options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) would result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to any such person in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by our Shareholders in general meeting of our Company, with voting to be taken by way of poll.

Our Company must send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. The grantees, their respective associates and all core connected persons of our Company must abstain from voting at such general meeting (except where any proposed grantee, associate of a proposed grantee or connected person may vote against the proposed grant provided his intention to do so has been stated in the circular). Any change in the terms of an Option granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in the aforesaid manner.

(7) Restrictions on the time of the Offer

No Offer may be made after inside information has come to our Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. No Option may be granted during the period commencing one month immediately before the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving our Company's annual, half-year or any other interim period (whether or not required under the Listing Rules) results; and
- (ii) the last day on which our Company shall announce its results for any year or half-year under the Listing Rules or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(8) Timing of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(9) Administration of exercise of Option

- (i) An Option may be exercised in whole or in part in the manner by the Grantee giving notice in writing to our Company in such form as the Board may from time to time determine 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 aggregate Subscription Price of the Shares in respect of which the notice is given together with the reasonable administration fee specified by our

Company from time to time. Within 28 days after receipt of the notice and the remittance, our Company shall allot and issue the relevant Shares, credited as fully paid, and a share certificate for the relevant Shares so allotted to the Grantee.

- (ii) A Grantee shall ensure that any exercise of his Option under this paragraph (9) is valid and complies with all laws, legislations and regulations to which he is subject. Our Directors may, as a condition precedent to allotting Shares upon an exercise of an Option, require the relevant Grantee to produce such evidence as they may reasonably require for such purpose.

(10) Rights are personal to Grantee

An Option shall be personal to the Grantee. Except for the transmission of an Option on the death of a Grantee to his/her legal personal representative(s), the Option shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose or create any interest in favour of any third party over or in relation to any Option (where the Grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid, if so determined by our Directors at their sole discretion). Any breach of the foregoing by a Grantee shall entitle our Company to cancel, revoke or terminate any Option granted to such Grantee to the extent not already exercised.

(11) Performance targets

The Board may at its absolute discretion determine and state in the Offer for the grant of Option to a Grantee that a performance target must be achieved before any Option granted under the Share Option Scheme can be exercised.

(12) Rights on death

In the event that the Grantee (being an individual) dies before exercising the Option in full, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent which has become exercisable and not already exercised) within the period of 12 months following his death PROVIDED THAT where any of the events set out in paragraphs (15) and (16) occurs prior to his death or within such 12-month period following his death, then his legal personal representative(s) may so exercise the Option within such of the various periods respectively set out in such paragraphs instead of the period referred to in this paragraph (12) and provided further that if within a period of three years prior to the Grantee's death, the Grantee had committed any of the acts as specified in paragraph (22)(iv) below which would have entitled our Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option of the Grantee (to the extent not already exercised) by written notice to his legal personal

representatives and the Option (to the extent not already exercised) shall lapse on the date of the relevant Board resolution.

(13) Rights on ceasing employment

In the event that the Grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in paragraph (22)(iv) below, the Option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the Grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(14) Rights on dismissal

In the event that the Grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee by reason of a termination of his employment on one or more of the grounds specified in paragraph (22)(iv) and the Grantee has exercised the Option in whole or in part pursuant to paragraph (9), but Shares have not been allotted to him, the Grantee shall, unless the Board determines otherwise, be deemed not to have so exercised such Option and our Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option.

(15) Rights on winding-up

In the event a general meeting is convened for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, each Grantee shall be entitled to exercise all or any of his/her 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 by giving notice in writing to our Company in accordance with the terms of the Share Option Scheme, accompanied by a remittance for the full amount of the aggregate Subscription Price of 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 referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(16) Rights on a general offer, a compromise or arrangement

In the event of a general or partial offer (whether by way of takeover offer or share repurchase offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert

with the offeror) our Company shall use its best endeavours to procure that an appropriate offer is extended to all Grantees (on comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, as Shareholders). If such offer becoming or being declared unconditional, a Grantee shall, notwithstanding any terms on which his Option was granted, be entitled to exercise the Option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

In the event of a compromise or arrangement between our Company and our Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of our Company or its merger or consolidation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to our Shareholders or its creditors to consider such a compromise or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part on such date until the earlier of (i) two months after that date or (ii) at any time not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company in accordance with paragraph (9) above, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the Suspension Date, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph (16) shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any Grantee as a result of such proposal.

(17) Adjustment to the Subscription Price

- (i) In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation or subdivision of shares of our Company, such corresponding adjustments (if any) shall be made in:
 - (a) the number of Shares subject to the Options so far as unexercised; and/or
 - (b) the Subscription Prices of any unexercised Options,

as the auditors shall certify in writing or the financial adviser shall confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules (or any guideline or supplementary guidance as may be issued by the Stock Exchange from time to time) (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that the overriding principle is that no adjustments should be made to the advantage of the Grantee or that would increase the intrinsic value of any Option.

For avoidance of doubt, (aa) an issue of any securities of our Company for cash or as consideration in respect of a transaction; and (bb) an issue of any securities of our Company under the authority of a general mandate or specific mandate granted to the Board by our Shareholders, will not be regarded as circumstances requiring adjustment under this paragraph (17)(i).

- (ii) Any adjustment under paragraph (17)(i) will be made, to the extent practicable, in accordance with the following:
 - (a) any such adjustment shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment;
 - (b) no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustments;

- (c) except where the adjustment is made on a capitalisation issue, any adjustment shall satisfy the requirements of the Note to Rule 17.03(13) of the Listing Rules and the relevant guidance issued by the Stock Exchange from time to time and interpretation of the Listing Rules in this respect by the Stock Exchange; and
- (d) the auditors or financial adviser selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment is in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules.

(18) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted and issued upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

(19) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date.

(20) Cancellation of Options

Any cancellation of Options granted but not exercised may be effected on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels Options and issues new ones to the same Grantee, the issue of such new Options may only be made under the Share Option Scheme with available unissued Options (excluding the cancelled Options) and in compliance with the terms of the Share Option Scheme, in particular within the limit approved by our Shareholders and, subject to the maximum number of Shares available for subscription stipulated under paragraph (4).

(21) Termination of the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

(22) Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (12), (13), (15) and (16);
- (iii) subject to paragraph (15), the date of the commencement of the winding-up of our Company;
- (iv) in the event that the Grantee is an employee of our Group when an Offer is made to him and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with our Group, the date of cessation of his employment with our Group;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the Grantee, or conviction of the Grantee of any criminal offence involving his integrity or honesty;
- (vi) the date on which the Board exercises our Company's right to cancel, revoke or terminate the Option on the ground that the Grantee commits a breach of paragraph (10) in respect of that or any other Option; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (16) becoming effective, the date on which such compromise or arrangement becomes effective.

(23) 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, Subscription Price, Option Period, vesting periods.

(24) Present status of the Share Option Scheme

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Stock Exchange for the listing and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Options which may be granted under the Share Option Scheme.

(25) Alteration of the Share Option Scheme

- (i) The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

- (a) the definitions of “Grantee”, “Option Period” and “Participant”;
- (b) the provisions of the above paragraphs on any change to the authority of the Board and scheme administrators in relation to the terms of the Share Option Scheme; and
- (c) all such other matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of the Participants except with the prior approval of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.

- (ii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (iii) Notwithstanding anything to the contrary contained under this paragraph (25)(i) and (25)(ii), the Board may at any time alter or modify the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provisions or the regulations of any regulatory or other relevant authority. Any amendment to any terms of the Scheme or the Options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

All of our Controlling Shareholders (each a “**Covenantor**”, collectively the “**Covenantors**”) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each member of our Group) pursuant to which the Covenantors have covenanted, agreed and undertaken to fully indemnify and keep each other member of our Group fully indemnified at all times from and against any direct or indirect diminution in or depletion in or reduction in the value of the assets, or increase in the liabilities, or loss, modification, cancellation, reduction or deprivation of any relief, of any member of our Group as a direct or indirect result or consequence of or in connection with, in relation to or arising out of any taxation claim relating to:

- (i) any duty which is or hereafter becomes payable by any member of our Group under or by virtue of the provision of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the “**Estate Duty Ordinance**”) or legislation similar thereto in Hong Kong or any part of the world by reason of the death of any person at any time and by reason of the transfer of property to any member of our Group or any of such assets being deemed for the purpose of the Estate Duty Ordinance or legislation similar thereto in any part of the world to be included in the property passing on his death by reason of that person making or having made a relevant transfer to any member of our Group or to any other person, entity or company on or before the date on which the conditions under the Deed of Indemnity are fulfilled (or where applicable, waived) in accordance with the terms of the Deed of Indemnity (the “**Fulfilment Date**”);
- (ii) any amount recovered against any member of our Group under the provisions of section 43(7) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world in respect of any duty payable under section 43(1) or 43(6) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world by reason of the death of any person and by reason of the assets of any member of our Group or any of such assets being deemed for the purpose of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world to be included in the property passing on his death by reason of that person making or having made a relevant

transfer to any member of our Group or to any other person, entity or company on or before the Fulfilment Date;

- (iii) any amount of duty which any member of our Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world in respect of the death of any person in any case where the assets of another company or any of them are deemed for the purpose of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world to be included in the property passing on that person's death as a result of that person making or having made a relevant transfer to that other company and by reason of any member of our Group or any other person, entity or company having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world on or before the Fulfilment Date, but only to the extent to which any member of our Group is unable to recover any amount or amounts in respect of that duty from any other person under the provisions of section 43(7)(a) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world;
- (iv) any penalty imposed on any member of our Group under section 42 of the Estate Duty Ordinance by reason of the relevant company defaulting on any obligation to give information to the Commissioner of Inland Revenue under section 42(1) of the Estate Duty Ordinance, provided that such obligation arises on or before the Fulfilment Date;
- (v) any taxation falling on any member of our Group in respect of or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Fulfilment Date, or any acts, omissions, transactions, matters, things or events entered into or occurring or deemed to enter into or occur on or before such date whether alone or in conjunction with any other events, acts or circumstances wherever, however or whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any taxation resulting from the receipt by any member of our Group of any amounts paid by the Covenantors under this Deed; and
- (vi) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may make, suffer or incur in connection with:
 - (a) the investigation, assessment or contesting of any taxation claim under the Deed of Indemnity;
 - (b) the settlement of any taxation claim under the Deed of Indemnity;

- (c) any legal proceedings in which any member of our Group claims in relation to any taxation claim under or in respect of the Deed of Indemnity and in which judgment, award or decision is given for any member of our Group; or
- (d) the enforcement of any such settlement or judgment referred to in (b) and (c) above.

The indemnity given above does not cover any taxation claim to the extent that:

- (i) specific provision, reserve or allowance has been made for such taxation or taxation claim in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
- (ii) the taxation arises or is incurred as a result of retrospective change in law or a retrospective increase in tax rates coming into force after the Fulfilment Date; and
- (iii) the taxation arises in the ordinary course of business of any member of our Group after 30 September 2017 up to and including the Fulfilment Date.

The indemnity given above shall cover any taxation claim which falls on any member of our Group if such taxation arises due to some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) not in their ordinary course of business on or before the Fulfilment Date.

The Covenantors have further covenanted, agreed and undertaken to fully indemnify and at all times keep the relevant member of our Group fully indemnified on demand against all penalties, claims, actions, demands, proceedings, litigations (without limitation to any legal costs), judgments, losses, liabilities, damages, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on or suffered by or incurred by any member of our Group as a result of directly or indirectly or in connection with:

- (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the Fulfilment Date; and

- (ii) any non-compliance with the applicable laws, rules or regulations by our any member of our Group on or before the Fulfilment Date except that provision, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of any member of our Group for the Track Record Period.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, to the best of our Directors' knowledge, there was no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial conditions or results of operations.

3. Sponsor

The Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sponsor's fees are HK\$5.0 million.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$66,000 and are payable by our Company.

5. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter of our Company in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus, and have given and have not withdrawn their written consents to the issue of this prospectus with the inclusion of their letter, report, opinion and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

Name	Qualifications
Dakin Capital Limited	A licensed corporation under the SFO and permitted to carry out Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Ipsos Limited	Industry consultant
Greater China Appraisal Limited	Property valuer
Mr. Chan Chung	Barrister-at-law in Hong Kong
Garron Holdings Limited	Safety consultant
CT Partners Consultants Limited	Internal control adviser

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Share Registrar

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

9. Taxation of holders of Shares***(a) Hong Kong***

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair 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

Under present Companies Law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty, as long as our Company does not hold any 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 emphasized that none of our Company, our Directors or the other parties involved in the Share Offer would 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.

10. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and

- (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2017, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus; and
- (d) our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 Application Forms; (b) the written consents referred to in the paragraph headed “E. Other Information – 6. Qualifications of experts” in Appendix V to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Benny Pang & Co. of 27th Floor, 100QRC, 100 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of our Group dated the date of this prospectus prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for each of the years ended 31 March 2016 and 31 March 2017 and period ended 30 September 2017;
- (d) the report on unaudited pro forma financial information prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix V to this prospectus;
- (f) the service agreements and appointment letters referred to in the paragraph headed “C. Disclosure of interests – 3. Particulars of service agreements and appointment letters” in Appendix V to this prospectus;
- (g) the rules of the Share Option Scheme;
- (h) the written consents referred to in the paragraph headed “E. Other Information – 6. Qualifications of experts” in Appendix V to this prospectus;
- (i) the Companies Law;
- (j) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (k) the legal opinion prepared by the Legal Counsel dated the date of this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR PUBLIC INSPECTION**

- (l) the valuation report prepared by Greater China Appraisal Limited, the text of which is set out in Appendix III to this prospectus;
- (m) the safety audit report prepared by the Safety Consultant dated the date of this prospectus;
- (n) the industry report prepared by Ipsos, a summary of which is set forth in the section headed “Industry Overview” in this prospectus; and
- (o) the report on our Group’s internal control system prepared by CT Partner Consultants Limited dated the date of this prospectus.



DRAGON RISE GROUP HOLDINGS LIMITED
龍昇集團控股有限公司