

# Golden Ponder Holdings Limited 金倫控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1783

## SHARE OFFER

Sponsor



Joint Bookrunners



Joint Lead Managers



# IMPORTANT

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

## Golden Ponder Holdings Limited

### 金倫控股有限公司

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

#### SHARE OFFER

**Total number of Offer Shares : 200,000,000 Shares (subject to the Adjustment Options)**  
**Number of Public Offer Shares : 20,000,000 Shares (subject to re-allocation)**  
**Number of Placing Shares : 180,000,000 Shares (subject to re-allocation and the Adjustment Options)**  
**Offer Price : not more than HK\$0.55 per Offer Share and expected to be not less than HK\$0.45 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**  
**Nominal value : HK\$0.01 per Share**  
**Stock code : 1783**

Sponsor



Joint Bookrunners



Pacific Foundation Securities Limited



訊匯證券有限公司  
SINCERE SECURITIES LIMITED

Joint Lead Managers



Pacific Foundation Securities Limited



訊匯證券有限公司  
SINCERE SECURITIES LIMITED



Alpha Financial Group Limited



潮商證券有限公司  
ChaoShang Securities Limited

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

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

**The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date which is expected to be on or around Monday, 13 August 2018 or such later date as may be agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event no later than Tuesday, 14 August 2018. The Offer Price will be not more than HK\$0.55 per Offer Share and is expected to be not less than HK\$0.45 per Offer Share, unless otherwise announced.**

The Joint Bookrunners may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares under the Share Offer at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of reduction in the indicative Offer Price range and/or the number of Offer Shares will be published at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and website of our Company at [www.headfame.com.hk](http://www.headfame.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, 14 August 2018, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Pursuant to the Public Offer Underwriting Agreement, the Joint Bookrunners have the right in certain circumstances to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws 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, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

7 August 2018

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

If there is any change in the following expected timetable of the Share Offer, our Company will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.headfame.com.hk](http://www.headfame.com.hk).

Application lists of the Public Offer open<sup>(2)</sup> ..... 11:45 a.m. on  
Friday, 10 August 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms  
and giving **electronic application instructions** to HKSCC<sup>(3)</sup> ..... 12:00 noon on  
Friday, 10 August 2018

Application lists of the Public Offer close<sup>(2)</sup> ..... 12:00 noon on  
Friday, 10 August 2018

Expected Price Determination Date<sup>(4)</sup> ..... Monday, 13 August 2018

Announcement of the final Offer Price, the level of indication of interest  
in the Placing, the level of applications in respect of the Public Offer  
and the results and basis of allotment under the Public Offer to  
be published on the websites of Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company  
at [www.headfame.com.hk](http://www.headfame.com.hk) on or before ..... Tuesday, 21 August 2018

Announcement of the results of allocations in the Public Offer  
(with successful applicants' identification document numbers,  
where applicable) to be available through a variety of channels  
including the websites of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.headfame.com.hk](http://www.headfame.com.hk)<sup>(5)</sup>  
as described in the section headed "How to Apply for the  
Public Offer Shares — 10. Publication of results" on or before ..... Tuesday, 21 August 2018

Results of allocations in the Public Offer to be available at  
[www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function from ..... Tuesday, 21 August 2018

Dispatch/collection of share certificates or deposit of share certificates  
into CCASS<sup>(6) to (8) and (11)</sup> in respect of wholly or partially successful  
applications pursuant to the Public Offer on or before ..... Tuesday, 21 August 2018

Dispatch of refund cheques in respect of wholly or  
partially successful applications if the Offer Price  
is less than the price payable on application  
(if applicable) and wholly or partially unsuccessful  
applications on or before<sup>(7) to (11)</sup> ..... Tuesday, 21 August 2018

Dealings in Shares on the Main Board to commence at ..... 9:00 a.m. on  
Wednesday, 22 August 2018

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

*Notes:*

1. All times and dates refer to Hong Kong local time and date. 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.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Friday, 10 August 2018, the application lists will not open and close on that day. Particulars of the arrangements are set forth under the section headed “How to Apply for the 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 Friday, 10 August 2018, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by our Company in such event.
3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** should refer to the section headed “How to Apply for the Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Monday, 13 August 2018 and, in any event, not later than Tuesday, 14 August 2018. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company by Tuesday, 14 August 2018, the Share Offer will not proceed and will lapse.
5. Neither the website of our Company nor any of the information contained on the website of our Company forms part of this prospectus.
6. Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Wednesday, 22 August 2018) provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus has not been exercised thereto and has lapsed. 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.
7. Applicants who have made an application using **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by the Application Form may collect their refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 21 August 2018. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chops. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and/or (where applicable) authorisation documents acceptable and satisfactory to the Hong Kong Branch Share Registrar.
8. If an applicant is using a **YELLOW** Application Form or giving the **electronic application instructions**, the relevant arrangements are set out in the section headed “How to Apply for the Public Offer Shares — 13. Dispatch/ Collection of share certificates and refund monies” in this prospectus.
9. For applicants who have applied for Public Offer Shares by giving electronic application instructions to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Tuesday, 21 August 2018. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give electronic application instructions on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 21 August 2018 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed “How to Apply for the Public Offer Shares — 13. Dispatch/ Collection of share certificates and refund monies” in this prospectus for details.

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

10. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the relevant applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. The banker of the relevant applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, the refund cheque.
11. Uncollected share certificates and refund cheques will be dispatched by ordinary post, at the applicants' own risk, to the addresses specified on the relevant applications. Further information is set out in the sections headed "How to Apply for the Public Offer Shares — 12. Refund of application monies" and "How to Apply for the Public Offer Shares — 13. Dispatch/Collection of share certificates and refund monies" in this prospectus.

**The above expected timetable is a summary only. You should refer to the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus for details of the Public Offer, including the conditions of the Public Offer, and the procedures for application for the Public Offer Shares.**

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*This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. 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 Joint Bookrunners, the Joint Lead Managers, the Co-Manager, any of the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.*

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## SUMMARY AND HIGHLIGHTS

*This summary and highlights 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 our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in our 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 our Shares.*

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

### OUR BUSINESS

We principally provide superstructure building and RMAA works services as a main contractor in Hong Kong since 1985. Superstructure building works refer to building works in relation to the parts of the structure above the ground level and the scope of our superstructure building works contracts mostly consists of development projects for residential and commercial buildings. RMAA works refer to the repair, maintenance, alteration and addition works for an existing structure. The following table sets forth the breakdown of our revenue by type of works during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Superstructure building works	214,261	66.3	343,455	92.4	420,705	93.8
RMAA works	109,114	33.7	28,243	7.6	27,851	6.2
Total:	<u>323,375</u>	<u>100.0</u>	<u>371,698</u>	<u>100.0</u>	<u>448,556</u>	<u>100.0</u>

During the Track Record Period and up to the Latest Practicable Date, we completed 27 contracts with an aggregate contract sum of approximately HK\$992.4 million, comprising four superstructure building contracts and 23 RMAA works contracts. As at the Latest Practicable Date, we had seven contracts on hand comprising four superstructure building contracts (including one superstructure building contract with a contract sum of approximately HK\$146.3 million in relation to the construction of residential and commercial composite building at Kowloon City which has commenced in November 2016, one superstructure building contract with a contract sum of approximately HK\$202.4 million in relation to an industrial redevelopment project at Tai Kok Tsui, Kowloon which has commenced in July 2017, one superstructure building contract with a contract sum of approximately HK\$111.8 million in relation to a residential development project at Kai Tak Road, Kowloon, which has commenced in September 2017 and one superstructure building contract with a contract sum of approximately HK\$156.8 million in relation to a redevelopment project at Connaught Road West, Hong Kong) and three RMAA works contracts, with a total awarded original contract sum of approximately HK\$742.0 million, of which approximately HK\$237.2 million has been recognised during the Track Record Period. Our contracts had a total outstanding contract sum (i.e. the total awarded original contract sum minus the corresponding revenue recognised in the previous financial periods) of approximately HK\$308.7 million as at the Latest Practicable Date. Our total revenue during the Track Record Period is approximately HK\$1,143.6 million, of which approximately HK\$879.5 million was derived from our completed projects and approximately HK\$237.2 million was derived from our contracts on hand.<sup>(Note 1)</sup> Based on our Director's estimation, approximately HK\$458.2 million is expected to be recognised as revenue from our contracts on hand for the years ending 31 March 2019 and 2020.<sup>(Note 2)</sup> The amount of

*Notes:*

- Our contracts are regarded as practically completed as evidenced by the practical completion certificates issued by architects. Nevertheless, during the Track Record Period, we continued to recognise revenue from some contracts practically completed prior to the Track Record Period and such revenue was included in our revenue during the Track Record Period. As such, our total revenue during the Track Record Period may differ from the revenue recognised from our completed contracts and contracts on hand during the Track Record Period.
- Since the contract sum of our contract is based on the initial agreement between our customer and us and may not include additions or modifications due to subsequent variation orders, the final revenue recognised from our contracts may differ from the aggregate contract sum of our contracts.



## SUMMARY AND HIGHLIGHTS

revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Further details of our contracts are set out in the section headed “Business — Our business model and our contracts” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, our Group provided services to private sector customers only. Most of our contracts are related to residential and commercial development and redevelopment projects in Hong Kong. We generally secure contracts from our customers through a competitive tendering process whereby we are invited to submit tenders by invitation. Furthermore, from time to time, we are approached by customers which request for quotations for providing RMAA services without going through a competitive tendering process. For the three years ended 31 March 2018, our revenue recognised from RMAA works contracts as a result of quotation acceptance amounted to approximately 0.3%, 1.1% and 1.1% of our total revenue, respectively. Our pricing is determined based on a cost-plus pricing model with mark-ups determined on a project-by-project basis.

### Customers

During the Track Record Period, our customers are private property developers and commercial enterprises which require superstructure building and/or RMAA works services. For the three years ended 31 March 2018, revenue derived from our five largest customers amounted to approximately 98.3%, 97.4% and 93.9% of our total revenue, respectively. The percentage of our revenue attributable to our largest customer amounted to approximately 36.9%, 63.3% and 35.7% respectively, for the same periods. We maintained business with our five largest customers (in terms of revenue) for a period ranging from approximately one to 15 years.

During the Track Record Period, our major contracts were generally obtained through tendering. The following table sets out the number of tender invitations received, the number of contracts tendered, the number of successfully tendered contracts and our success rate during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Number of tender invitations received	12	25	23
Number of tenders submitted	9	20	21
Number of tenders won	1	3	4
Success rate (%)	11.1	15.0	19.0

*Note:* Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

### Suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) our subcontractors; (ii) suppliers of construction materials such as concrete and reinforcement steel and (iii) machinery and equipment rental service providers. We heavily relied on our subcontractors to help complete our projects during the Track Record Period. In fact, we incurred subcontracting fees of approximately HK\$216.7 million, HK\$246.1 million and HK\$326.2 million, which accounted for approximately 73.9%, 73.9% and 80.6% of our total cost of services in FY2016, FY2017 and FY2018, respectively. In particular, all of our five largest suppliers in FY2016 and FY2017 were our subcontractors, while four out of our five largest suppliers in FY2018 were our subcontractors. On the other hand, we incurred material costs of approximately HK\$35.7 million, HK\$46.7 million and HK\$33.3 million, which accounted for approximately 12.2%, 14.0% and 8.2% of our total cost of services in FY2016, FY2017 and FY2018, respectively. We also incurred machinery and equipment rental expenses of approximately HK\$9.7 million, HK\$8.1 million and HK\$10.0 million, which accounted for approximately 3.3%, 2.4% and 2.5% of our total cost of services in FY2016, FY2017 and FY2018, respectively. For the three years ended 31 March 2018, the percentage of our total purchases incurred from our largest supplier amounted to approximately 9.7%, 20.9% and 8.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 38.9%, 58.4% and 34.6% of our total purchases incurred, respectively. In particular, for the three years ended 31 March 2018, the percentage of our total purchases incurred from our largest subcontractor amounted to approximately 9.7%, 20.9% and 8.4% of

## SUMMARY AND HIGHLIGHTS

our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest subcontractors combined amounted to approximately 38.9%, 58.4% and 34.3% of our total purchases incurred, respectively. We generally order the relevant construction materials and services on project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers. We have established long-term and close working relationships with our major suppliers and subcontractors, some of which have working relationships with our Group for 10 years. Please refer to the section headed “Financial Information — Description of selected items from consolidated statements of comprehensive income — Costs of services” in this prospectus for the relevant sensitivity analysis.

### COMPETITIVE LANDSCAPE AND MARKET POSITION

According to the Ipsos Report, the superstructure building works industry and RMAA works industry in Hong Kong are fragmented with the top five players which accounted for approximately 14.1% of the total revenue of superstructure building works industry in 2017 and approximately 15.5% of the total industry revenue of RMAA works industry in 2016. As of July 2018, there were about 731 qualified registered general building contractors under the Buildings Department which are qualified to perform superstructure building and RMAA works. Our market share in each of the superstructure building works industry and the RMAA works industry in Hong Kong amounted to approximately 0.3% in terms of the total revenue of superstructure building works industry in 2017 and approximately 0.05% in terms of the total revenue of RMAA works industry in 2016. For details, please refer to the section headed “Industry Overview” of this prospectus. Our Directors believe that our Group is well-positioned to capture more business opportunities from the superstructure building works industry and RMAA works industry in Hong Kong.

### COMPETITIVE STRENGTH

We believe the following competitive strengths, details of which are set out in the section headed “Business — Competitive strengths” in this prospectus, contribute to our success and differentiate us from our competitors: (i) our well established presence and proven track record in the superstructure building works industry and RMAA works industry in Hong Kong; (ii) our experienced and professional management team; (iii) our stable relationship with our major customers, suppliers and subcontractors and (iv) our commitment to maintaining high safety standard, quality control and environmental protection.

### BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to further solidify our market position as an established superstructure building and RMAA works contractor in Hong Kong and to create long-term Shareholder’s value. We intend to achieve our business objective by the following business strategies, details of which are set out in the section headed “Business — Business strategies” in this prospectus: (i) continue to expand our market share and compete for more superstructure building and RMAA works contracts; (ii) further strengthening our manpower; and (iii) adherence to prudent financial management to ensure sustainable growth and capital sufficiency.

### SUMMARY OF FINANCIAL INFORMATION

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

## SUMMARY AND HIGHLIGHTS

### Highlights of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	323,375	371,698	448,556
Cost of services	<u>(293,326)</u>	<u>(333,027)</u>	<u>(404,584)</u>
Gross profit	30,049	38,671	43,972
Other income	22	2,633	1,536
Administrative and other expenses	(6,296)	(13,280)	(16,154)
Finance costs	<u>(209)</u>	<u>(215)</u>	<u>(255)</u>
Profit before income tax expense	23,566	27,809	29,099
Income tax expense	<u>(3,904)</u>	<u>(5,334)</u>	<u>(5,775)</u>
Profit and total comprehensive income for the year	<u><u>19,662</u></u>	<u><u>22,475</u></u>	<u><u>23,324</u></u>

### Revenue

During the Track Record Period, our Group's revenue was derived from the provision of superstructure building works and RMAA works. All of our revenue was generated from the private sector and our customers are mainly private property developers and commercial enterprises which require superstructure building and/or RMAA works services in Hong Kong. Please refer to page one of this prospectus for the breakdown of revenue by type of works.

### Cost of services

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs	11,349	3.9	12,243	3.7	15,804	3.9
Material costs	35,698	12.2	46,674	14.0	33,259	8.2
Subcontracting fees	216,652	73.9	246,082	73.9	326,213	80.6
Machinery and equipment rental expenses	9,682	3.3	8,050	2.4	9,964	2.5
Other overhead costs	<u>19,945</u>	<u>6.7</u>	<u>19,978</u>	<u>6.0</u>	<u>19,344</u>	<u>4.8</u>
Total	<u><u>293,326</u></u>	<u><u>100.0</u></u>	<u><u>333,027</u></u>	<u><u>100.0</u></u>	<u><u>404,584</u></u>	<u><u>100.0</u></u>

Cost of services primarily consist of (i) direct labour costs, (ii) material costs; (iii) subcontracting fees; (iv) machinery and equipment rental expenses and (v) other overhead costs.

During the Track Record Period, we undertook both commercial and residential projects located in Hong Kong. The following tables sets forth the breakdown of our revenue contribution by commercial and residential projects during the Track Record Period:

	Year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Commercial	128,109	39.6	293,928	79.1	328,286	73.2
Residential	<u>195,266</u>	<u>60.4</u>	<u>77,770</u>	<u>20.9</u>	<u>120,270</u>	<u>26.8</u>
Total	<u><u>323,375</u></u>	<u><u>100.0</u></u>	<u><u>371,698</u></u>	<u><u>100.0</u></u>	<u><u>448,556</u></u>	<u><u>100.0</u></u>

As shown in the table above, our revenue generated from commercial sector projects represented approximately 39.6%, 79.1% and 73.2% of our Group's total revenue for the three years ended 31 March 2016, 2017 and 2018, respectively, whilst the revenue generated from residential sector projects represented approximately 60.4%, 20.9% and 26.8% of our Group's total revenue for the same period. For the year ended 31 March 2016, a large portion of our revenue was mainly derived from project AGS, a residential superstructure building works for the redevelopment of a building located at Mong Kok with revenue recognised of approximately HK\$119.4 million for the year ended 31 March 2016. As most of the works for such project had been substantially completed during the year ended 31 March 2016, the revenue derived from residential sector projects substantially decreased for the year ended 31

## SUMMARY AND HIGHLIGHTS

March 2017. Conversely, a large portion of our revenue was derived from our commercial sector projects for the two years ended 31 March 2017 and 31 March 2018, which was mainly contributed by (i) project TKO3, a commercial superstructure building works for a proposed printing factory extension located at Tseung Kwan O, Hong Kong; and (ii) project LMR, a redevelopment project at Tsuen Wan, Hong Kong. We have completed a substantial portion of work for project TKO3 for the year ended 31 March 2017 with an aggregate revenue of approximately HK\$235.3 million recognised during the same period. We have also completed a substantial portion of work for project LMR for the year ended 31 March 2018 with an aggregate revenue of approximately HK\$160.1 million recognised during the same period.

### Gross profit and gross profit margin

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

	Year ended 31 March					
	2016		2017		2018	
	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>
Superstructure building works	19,916	9.3	37,044	10.8	40,632	9.7
RMAA works	<u>10,133</u>	<u>9.3</u>	<u>1,627</u>	<u>5.8</u>	<u>3,340</u>	<u>12.0</u>
Total	<u>30,049</u>	9.3	<u>38,671</u>	10.4	<u>43,972</u>	9.8

During the three years ended 31 March 2018, our gross profit were approximately HK\$30.0 million, HK\$38.7 million and HK\$44.0 million, respectively, and our gross profit margin were approximately 9.3%, 10.4% and 9.8% respectively. The gross profit and gross profit margin of our Group was determined on a project-by-project basis and are generally attributable to our tender price of the projects.

The gross profit margin of RMAA works decreased from approximately 9.3% for the year ended 31 March 2016 to approximately 5.8% for the year ended 31 March 2017 as a result of the cost incurred for rectification of defects for project CSS during the year ended 31 March 2017.

### Highlights of consolidated statements of financial position

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets	1,121	1,156	1,047
Current assets	101,449	97,404	186,033
Current liabilities	59,972	53,339	103,587
Non-current liabilities	134	82	30
Net current assets	41,477	44,065	82,446
Net assets	42,464	45,139	83,463

### Highlights of consolidated statements of cash flows

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net cash generated from/(used in) operating activities	13,614	20,328	(16,419)
Net cash used in investing activities	(178)	(307)	(21)
Net cash (used in)/generated from financing activities	<u>(11,196)</u>	<u>(3,706)</u>	<u>4,971</u>
Net increase/(decrease) in cash and cash equivalents	2,240	16,315	(11,469)
Cash and cash equivalents at the beginning of the year	<u>17,610</u>	<u>19,850</u>	<u>36,165</u>
Cash and cash equivalents at the end of the year	<u>19,850</u>	<u>36,165</u>	<u>24,696</u>

## SUMMARY AND HIGHLIGHTS

For the year ended 31 March 2018, we had net cash used in operating activities of approximately HK\$16.4 million, primarily as a result of (i) increase in trade receivables of approximately HK\$36.8 million which was mainly due to invoices issued to but not yet settled by one of our top five customers for project BFR; (ii) increase in retention money receivables of approximately of HK\$6.1 million which was mainly attributable to additional retention money receivables recognised during 31 March 2018 following the practical completion of project LMR; (iii) increase in amounts due from customers for contract work of approximately HK\$44.3 million, which was mainly attributable to project BFR and project FLTR incurred substantial construction costs, but the relevant works had not yet been certified by the architect of these customers as at 31 March 2018; and (iv) increase in trade and retention money payables of approximately HK\$56.1 million which was mainly due to the increase in subcontracting fees incurred that were not settled before the year end. Please refer to the section headed “Financial Information — Liquidity and capital resources” in this prospectus for further details.

### Summary of financial ratios

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Profitability ratios</b>			
Gross profit margin (%) <sup>(1)</sup>	9.3	10.4	9.8
Net profit margin (%) <sup>(2)</sup>	6.1	6.0	5.2
Return on equity (%) <sup>(3)</sup>	46.3	49.8	27.9
Return on assets (%) <sup>(4)</sup>	19.2	22.8	12.5
Current ratio (times) <sup>(5)</sup>	1.7	1.8	1.8
<b>Capital adequacy ratios</b>			
Interest coverage (times) <sup>(6)</sup>	113.8	130.3	115.1
Gearing ratio (%) <sup>(7)</sup>	23.3	30.1	10.3

#### Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.
3. Return on equity equals the net profit divided by the total equity as at the end of the respective year multiplied by 100%.
4. Return on assets is calculated by the net profit divided by the total assets as at the end of the respective year multiplied by 100%.
5. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year.
6. Interest coverage is calculated by the profit from operations divided by finance costs for the respective year.
7. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective year multiplied by 100%.

Please refer to the section headed “Financial Information — Key financial ratios” in this prospectus for further analysis.

### SHAREHOLDER INFORMATION

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. KT Chan and Mr. KM Chan, who are acting in concert as a group of Controlling Shareholders and through Shiny Golden (an investment holding company owned as to 50% by Mr. KT Chan and Mr. KM Chan respectively) indirectly held in aggregate 67.5% interest in our Company. Please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus for further details.

### PRE-IPO INVESTMENTS

On 21 April 2017, Century Success, our wholly-owned subsidiary, entered into two share subscription agreements with two Pre-IPO Investors, namely UG and Vibrant Sound, respectively, in respect of the subscription of new ordinary shares in Century Success by the two Pre-IPO Investors. Pursuant to the respective Pre-IPO Share Subscription Agreements, UG and Vibrant Sound subscribed for 20 and 10 new ordinary shares with a par value of US\$1.00 each in Century Success at a consideration of HK\$10,000,000 and HK\$5,000,000, respectively. The two Pre-IPO Investors were subjected to certain special right granted to Century Success (i.e. the divestment right), which had ceased to have effect one business day before the date of first filing of the application for the Listing.

## SUMMARY AND HIGHLIGHTS

UG and Vibrant Sound will hold 40,000,000 Shares and 20,000,000 Shares, respectively, representing approximately 5.0% and 2.5% of our enlarged issued share capital immediately upon completion of the Capitalisation Issue and the Share Offer (assuming any of the Adjustment Options or options as may be granted under the Share Option Scheme are not exercised). Please refer to the section headed “History, Development and Reorganisation — Reorganisation — Pre-IPO Investments” in this prospectus for further details.

### THE SHARE OFFER AND THE OFFER STATISTICS

The Share Offer comprises the Public Offer of initially 20,000,000 Shares offered for subscription in Hong Kong, and the Placing of initially 180,000,000 Shares (subject, in each case, to re-allocation and any of the Adjustment Options on the basis described in the section headed “Structure and Conditions of the Share Offer” in this prospectus).

	<b>Based on the Offer Price of HK\$0.45 per Offer Share</b>	<b>Based on the Offer Price of HK\$0.55 per Offer Share</b>
Market Capitalisation ( <i>Note 1</i> )	HK\$360 million	HK\$440 million
Unaudited pro forma adjusted net tangible assets per Share ( <i>Note 2 and 3</i> )	HK\$0.19	HK\$0.21

*Notes:*

1. The calculation of the market capitalisation of the Shares is based on 800,000,000 Shares in issue and to be issued immediately after completion of the Share Offer but does not take into account any Shares which may be allotted and issued upon the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
2. For the calculation of the unaudited pro forma adjusted consolidated net tangible asset value per Share attributable to the Shareholders, please refer to the section headed “Unaudited Pro Forma Statement of Consolidated Net Tangible Assets” in Appendix II to this prospectus.
3. The unaudited pro forma adjusted net tangible assets had not taken into account on the dividend of HK\$6.0 million declared on 30 May 2018. Had the effect of the dividend of HK\$6.0 million declared on 30 May 2018 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.19 and HK\$0.21 on the basis that 800,000,000 Shares were in issue; the dividend was declared on 30 May 2018 and the Share Offer and the Capitalisation Issue had been completed on 31 March 2018, assuming Offer Prices of HK\$0.45 per Share and HK\$0.55 per Share, respectively.

### FUTURE PLANS, USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer, assuming any of the Adjustment Options is not exercised and assuming an Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$0.45 to HK\$0.55 per Offer Share), will be approximately HK\$69.2 million. Our Directors presently intend to apply the remaining net proceeds as follows:

<b>Intended applications</b>	<b>Approximate amount of net proceeds</b>	<b>Utilised by the year ending 31 March</b>
To take out surety bonds for contracts we have secured or plan to secure	HK\$47.7 million or approximately 68.9%	2019
To finance our upfront cost and working capital requirement for one superstructure building project awarded to us	HK\$8.3 million or approximately 12.0%	2019
To expand our workforce and strengthen our manpower resources	HK\$4.2 million or approximately 6.1%	2020
To repay bank borrowings	HK\$9.0 million or approximately 13.0%	2019

## SUMMARY AND HIGHLIGHTS

Our Directors believe the Listing will (i) enhance our competitiveness to compete with our listed competitors; (ii) provide funding for the expansion of our business; (iii) strengthen our financial position and improve our credibility with our subcontractors, suppliers and customers. Please refer to the paragraph headed “Future Plans and Use of Proceeds — Reasons for the Listing” in this prospectus for further details.

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

### LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$30.8 million of which approximately HK\$12.4 million is directly attributable to the issue of New Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated Listing expenses of approximately HK\$18.4 million, was or will be charged to profit or loss, of which an aggregate of approximately HK\$4.3 million was charged for the year ended 31 March 2017, and approximately HK\$5.3 million was charged for the year ended 31 March 2018. This calculation is based on the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share and the assumption that 200,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the Listing are non-recurring in nature. Our Group’s financial performance and results of operation for the year ending 31 March 2019 will be affected by the estimated expenses in relation to the Listing.

### DIVIDENDS AND DISTRIBUTABLE RESERVES

Our Group did not declare any dividend for the year ended 31 March 2016. For the year ended 31 March 2017, our Group declared and paid dividends of HK\$19.8 million to the shareholders of Head Fame now comprising our Group. During the year ended 31 March 2017, the shareholders of Head Fame agreed to repay the dividends by way of set-off against their respective amount due to Head Fame. On 30 May 2018, our Group declared dividend of HK\$6.0 million, of which approximately HK\$2.4 million was settled by offsetting the same amount due from Mr. KT Chan. Such dividend of HK\$6.0 million has not been recognised as a dividend payable on 31 March 2018 and the remaining HK\$3.6 million has been fully settled. 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 results of operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook, as well as subject to the Articles and any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any pre-determined dividend payout ratio.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

### PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group’s control. They can be broadly categorised into risks relating to our business and risks relating to the industry in which we operate. Potential investors are advised to read the section headed “Risk Factors” in this prospectus carefully before making any investment decision in the Share Offer. Some of our major risks include:

- Our revenue relies on successful tenders of our projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers;
- We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses;
- We rely on subcontractors to help complete our contracts;
- We are exposed to our customers’ credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full;

## SUMMARY AND HIGHLIGHTS

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

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking superstructure building and RMAA works in Hong Kong. As at the date of this prospectus, we had seven contracts on hand. Please refer to the section headed "Business — Our business model and our contracts — Our contracts — Contracts on hand" in this prospectus for further details. The aggregate contract sum of these contracts on hand is approximately HK\$742.0 million and approximately HK\$237.2 million of revenue has been recognised during the Track Record Period. These contracts on hand had a total outstanding contract sum (i.e. the total awarded original contract sum minus the corresponding revenue recognised in the previous financial periods) of approximately HK\$308.7 million as at the Latest Practicable Date. In particular, during the period between 1 April 2018 and the Latest Practicable Date, we have been awarded four additional contracts with a total contract sum of approximately HK\$281.5 million (including an A&A works contract with a contract sum of approximately HK\$118.4 million which has commenced in April 2018, an A&A works contract with a contract sum of approximately HK\$5.7 million which has commenced in June 2018, a superstructure building works contract with a contract sum of approximately HK\$156.8 million which is scheduled to commence in October 2018 and an A&A works contract with a contract sum of approximately HK\$0.6 million which has commenced in July 2018). Our Directors consider that our Group is well-positioned to take more projects and believe that the expected increase in construction of buildings, the Government's support to increase land and housing supply as well as the Government's support on urban renewal would boost the demand for our services and favour the growth of our Group. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. We expect to recognise revenue of approximately HK\$458.2 million for the years ending 31 March 2019 and 2020 based on our contracts. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Based on the budget costs of each project, our Directors expect our gross profit margin for the year ending 31 March 2019 to decrease as compared to that recorded during the Track Record Period. Accordingly, our Directors currently expect an increase in our revenue and a decrease in our gross profit for the year ending 31 March 2019. Furthermore, our Directors believe that the net profit for the year ending 31 March 2019 is expected to be materially and adversely affected by the significant increase of staff cost for the expansion of our workforce both at office level and worksite level to cope with our Group's future business expansion. However, our Directors believe that our Group's profitability will be improved in the long run since our Group will be able to compete for more superstructure building and RMAA works contracts on top of our existing operating scale by utilising the listing proceeds for such expansion. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

As far as our Directors are aware, there has been no other changes in the general economic or market conditions or in the construction market in Hong Kong as a whole, which would have a material and adverse impact on our business operations or financial condition since 31 March 2018 and up to the date of this prospectus.

Save and except for the Listing expenses as disclosed above, our Group did not have any significant non-recurrent items in our consolidated statements of comprehensive income subsequent to the Track Record Period. Our results of operations for the year ending 31 March 2019 are expected to be significantly affected by the non-recurring Listing expenses as disclosed in the section headed "Financial Information — Listing expenses" in this prospectus.

In view of the above, our Directors expect the net profit of our Group for the year ending 31 March 2019 to decrease as compared to that for the year ended 31 March 2018.



## SUMMARY AND HIGHLIGHTS

### **MATERIAL ADVERSE CHANGE**

The impact of the Listing expenses on the profit and loss accounts has posed a material adverse change in the financial or trading position or prospect of our Group since 31 March 2018 (being the date of the latest audited consolidated financial statements of our Group were made up). Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 31 March 2019.

Save as disclosed in the paragraph headed “Listing expenses” in this section above, our Directors confirmed that since 31 March 2018 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report.

### **LITIGATION AND CLAIMS**

As at the Latest Practicable Date, there were (i) two ongoing common law personal injury claims against Head Fame; (ii) 13 potential employees’ compensation claims and/or common law personal injury claims and (iii) three charges under Construction Sites (Safety) Regulations. Our Directors confirm that the above ongoing common law personal injury claims and potential employees’ compensation claims and/or common law personal injury claims had been or are expected to be covered by the insurance policies taken out by us or will be indemnified by our Controlling Shareholders pursuant to the Deed of Indemnity to the extent that any amount claimed is not covered by the insurance policy. For further details, please refer to the section headed “Business — Litigation and potential claims” in this prospectus.

### **NON-COMPLIANCE**

During the Track Record Period and up to the Latest Practicable Date, our Group experienced certain incidents of non-compliances with the Noise Control Ordinance, Construction Sites (Safety) Regulations, Lifting Appliances and Lifting Gear Regulations, Buildings Ordinance, Inland Revenue Ordinance and Public Health and Municipal Services Ordinance. As at the Latest Practicable Date, (i) we have paid or will pay the fines in full with respect to the incidents of non-compliance with the Noise Control Ordinance, Construction Sites (Safety) Regulations and Public Health and Municipal Services Ordinance; and (ii) we had not been prosecuted or had never received any improvement notices concerning the incidents of non-compliance with the Buildings Ordinance and Inland Revenue Ordinance. For further details, please refer to the section headed “Business — Non-compliance” in this prospectus.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions shall have the meanings set forth below.*

“Accountants’ Report”	the Accountants’ report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus
“Acting in Concert Confirmation”	the deed of confirmation dated 26 May 2017 executed by our Controlling Shareholders (other than Shiny Golden), whereby they confirmed the existence of their acting in concert arrangements. For details, please refer to the section headed “Relationship with Controlling Shareholders — Acting in Concert Confirmation” in this prospectus
“Adjustment Options”	the Offer Size Adjustment Option and the Over-allotment Option
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Architectural Services Department” or “ASD”	the Architectural Services Department of the Government
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 25 July 2018, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day(s)” or “business day(s)”	any day (other than Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

## DEFINITIONS

“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the allotment and issue of 599,970,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of the Shareholders passed on 25 July 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Census and Statistics Department”	the Census and Statistics Department of the Government
“Century Success”	Century Success Limited, a company incorporated in the BVI with liability limited by shares on 11 January 2017 and our wholly-owned subsidiary after completion of the Reorganisation
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Manager”	Frontpage Capital Limited
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, modified and supplemented from time to time

## DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended and supplemented from time to time
“Company”, “our”, “our Company”, “we” or “us”	Golden Ponder Holdings Limited (金倫控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 11 May 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Industry Council”	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Construction Sites (Safety) Regulations”	the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the case of our Company, refer to Mr. KT Chan, Mr. KM Chan and Shiny Golden
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 25 July 2018 and signed by our Controlling Shareholders in favour of our Company (on its own behalf and as trustee for each member of our Group), particular of which are set out in the section headed “Other Information — 13. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a non-competition deed entered into on 25 July 2018 and signed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition”
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	the Environmental Protection Department of the Government
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FY2016”	the financial year ended 31 March 2016
“FY2017”	the financial year ended 31 March 2017
“FY2018”	the financial year ended 31 March 2018
“GAAP”	generally accepted accounting principles
“GDP”	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Government”	the government of Hong Kong
“Group”, “we”, “us” or “our/our Group”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“Head Fame”	Head Fame Company Limited (禧輝有限公司), a company incorporated in Hong Kong with limited liability on 23 August 1985 and our indirectly wholly-owned subsidiary upon completion of the Reorganisation
“Hong Kong dollars” or “HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited

## DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“independent third party(ies)”	an individual(s) or a company(ies) who or which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of and not connected with (within the meaning of the Listing Rules) our Company and its connected persons
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Ipsos”	Ipsos Limited, an industry research consultant and is an independent third party
“Ipsos Report”	the industry research report commissioned by us and prepared by Ipsos on the superstructure building works industry and RMAA works industry in Hong Kong in which our Group operates
“Joint Bookrunners”	Pacific Foundation Securities Limited and Sincere Securities Limited
“Joint Lead Managers”	Pacific Foundation Securities Limited, Sincere Securities Limited, Alpha Financial Group Limited and ChaoShang Securities Limited
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	30 July 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung (陳聰先生), barrister-at-law in Hong Kong, who is an independent third party
“Lifting Appliances and Lifting Gear Regulations”	the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange

## DEFINITIONS

“Listing Date”	the date, expected to be on or about 22 August 2018, on which dealings in the Shares first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 25 July 2018, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“MPF scheme”	mandatory provident fund scheme
“Mr. KM Chan”	Mr. Chan Kam Ming (陳金明先生), our chief executive officer, executive Director and one of our Controlling Shareholders
“Mr. KT Chan”	Mr. Chan Kam Tong (陳金棠先生), our chairman, executive Director and one of our Controlling Shareholders
“New Shares”	200,000,000 new Shares being offered for subscription at the Offer Price under the Share Offer
“Noise Control Ordinance”	the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Offer Price”	the offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.55 per Share and expected to be not less than HK\$0.45 per Share, at which the Offer Shares are to be subscribed for pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer — Pricing and allocation” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together with, where relevant, any additional Shares issued pursuant to the exercise of any of the Adjustment Options

## DEFINITIONS

“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement exercisable prior to Listing, pursuant to which our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Offer Shares, representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocation in the Placing, in the event that the Offer Price is less than HK\$0.50
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Offer Shares (representing 15% of the initial number of Offer Shares) to cover over-allocation in the Placing, in the event that the Offer Price is HK\$0.50 or above
“Placing”	conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 180,000,000 New Shares initially being offered by our Company for subscription under the Placing, subject to any of the Adjustment Options and the re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing
“Placing Underwriting Agreement”	the conditional underwriting and placing agreement relating to the Placing expected to be entered into on or about 13 August 2018 by, among others, our Company, and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014



## DEFINITIONS

“Pre-IPO Investment(s)”	the investment in the Company undertaken by the respective Pre-IPO Investors pursuant to the respective Pre-IPO Share Subscription Agreements
“Pre-IPO Investor(s)”	UG China Venture II Limited and Vibrant Sound Limited
“Pre-IPO Share Subscription Agreement(s)”	the respective share subscription agreements dated 21 April 2017 entered into by the respective Pre-IPO Investors and Century Success in respect of the respective subscription of new ordinary shares of Century Success
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and us on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Monday, 13 August 2018 or such later date as may be agreed by the Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) on which the Price Determination Agreement is entered into, but in any event no later than 14 August 2018
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 New Shares initially being offered for subscription under 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 Underwriters”	the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 6 August 2018 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are summarised in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus

## DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal or par value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 25 July 2018, the principal terms of which are summarised in the section headed “Other Information — 12. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shiny Golden”	Shiny Golden Limited, a company incorporated in the BVI with liability limited by shares on 10 January 2017, being the Controlling Shareholder of our Company
“Sponsor” or “Dakin Capital”	Dakin Capital Limited, a licensed corporation for carrying on Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sponsor of the Listing and an independent third party
“Stabilising Manager”	Pacific Foundation Securities Limited
“Stock Borrowing Agreement”	means the stock borrowing agreement expected to be entered into between Pacific Foundation Securities Limited or its affiliate as the stabilising manager and Shiny Golden as the lender on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules and details of our substantial shareholders are set out in the section headed “Substantial Shareholders” in this prospectus

## DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended, modified and supplemented from time to time
“Track Record Period”	comprises the three financial years ended 31 March 2016, 2017 and 2018
“UG”	UG China Venture II Limited, a company incorporated in the BVI, an investment holding company, a private equity investor, one of the Pre-IPO Investors and an independent third party
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	United States of America
“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“US\$”	United States dollars, the lawful currency of the United States
“Vibrant Sound”	Vibrant Sound Limited, a company incorporated in the BVI, an investment holding company, one of the Pre-IPO Investors and an independent third party
“ <b>WHITE</b> Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“sq.ft.”	square foot
“sq. m.” or “m <sup>2</sup> ”	square metre(s)
“%”	per cent.

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

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and our business. The meanings given to these terms may not correspond to standard industry definitions or usage of those terms.*

“Authorised Signatory(ies)”	the appointed person(s) to act for a registered contractor for the purpose of the Buildings Ordinance
“A&A works”	works for alteration and addition for an existing structure
“BEAM” or “BEAM Plus”	an acronym for Building Environmental Assessment Method which is a green building assessment system to measure, improve and label the environmental performance of buildings
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management system model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	environmental management system requirements published by ISO
“main contractor”	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“practical completion”	a stage of substantial completion of works marked by the issue of a certificate to that effect, meaning the completion of the works for all practical purposes, allowing the employer to take possession of the works and use them as intended without latent defects
“private sector projects”	works contracts that are not public sector projects

## GLOSSARY OF TECHNICAL TERMS

“public sector projects”	works contracts that originate from the Government or statutory bodies
“RMAA”	RMAA refers to repair, maintenance, alteration and addition for an existing structure
“Safety Management Regulation”	Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong), a summary of which is set out in the section headed “Regulatory Overview — Laws and regulations in relation to construction labour, health and safety” in this prospectus
“substructure”	the lower portion of the structure, usually located below the ground level
“superstructure”	the upper portion of the structure, usually located above the ground level and serves the purpose of the intended use of the structure such as residential and commercial, etc.
“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
“SOPL”	proposed Security of Payment Legislation for the construction industry, a summary of which is set out in the section headed “Regulatory Overview — Other laws and regulations” in this prospectus
“Technical Director(s)”	in respect of any registered contractor which is a corporate entity, a director authorised by the board of directors of such contractor to ensure the works are carried out in accordance with the Buildings Ordinance
“tender contract”	the type of contracts with customers obtained by tendering which usually require recurring services for a specific period and details of which are set out under the section headed “Business — Customers — Major terms of engagement with our customers” of this prospectus
“variation order”	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

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements and information that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions, and the negative of these words, are used to identify forward-looking statements. These forward-looking statements and information include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- our future financial conditions and results of operations;
- the prospective financial information regarding our business;
- availability of bank loans and other forms of financing;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- estimates of capacities and operating costs;
- future developments, trends and competition in the industry in which our Group operates; and
- the trend of the economy of Hong Kong, the PRC and the world in general.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk Factors” and “Financial Information” in this prospectus, many of which are not within our Company’s control.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

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

## RISK FACTORS

*You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Share Offer. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**Our revenue relies on successful tenders of our projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers**

During the Track Record Period and up to the Latest Practicable Date, substantially all of our revenue was derived from our superstructure building contracts and RMAA works contracts in Hong Kong which were awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, our business is contract-based and operated on a non-recurring basis. We do not have long-term commitment with our customers and our customers may vary from year to year.

During the Track Record Period and up to the Latest Practicable Date, substantially all of our contracts were secured through tender by invitation (while some of our contracts of insignificant amount were secured through acceptance of our quotations without going through a competitive tendering process). There is no guarantee that our current customers will in the future continue to include us in their tendering process or award us with new contracts, or that we will be able to seek new customers. As at the Latest Practicable Date, we had seven contracts on hand. Upon completion of our contracts on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all. Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure new contracts when considering our Group's future prospects. Besides, if any of our major customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cashflow and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

**We make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses**

Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market

## RISK FACTORS

conditions. In the event that we fail to accurately estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

Furthermore, to provide for certain unforeseen circumstances which are beyond the control of our Group, our contracts may include a clause providing for an “extension of time”, which enables us to extend the completion date subject to the parties’ agreement. Our Group may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.

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

### **We rely on subcontractors to help complete our projects**

As a main contractor, we delegate our works to subcontractors under close supervision and management by our project management team to ensure conformity with our customers’ requirements and that projects are executed on time and within budget. Therefore, we engage third party subcontractors for our project execution. Our total subcontracting fees accounted for approximately 73.9%, 73.9% and 80.6%, respectively, of our total cost of services for the three years ended 31 March 2018. For details of our arrangements with subcontractors, please refer to the section headed “Business — Suppliers — Subcontracting” in this prospectus.

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

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



## RISK FACTORS

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

Our Group's works contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of our works done. Our customer usually settles the bill, net of any agreed retention money, around 30 days from the issue of payment certificate. Our trade receivables were approximately HK\$22.4 million, HK\$12.7 million and HK\$49.5 million as at 31 March 2016, 2017 and 2018, respectively. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

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

**We may not be able to bill and receive the full amount of gross amounts due from customers for contract work and our revenue may fluctuate due to variation orders**

Our revenue from construction contracts is recognised based on the stage of completion of the contracts whereby progress billings take place when the construction works performed by our Group are certified by the relevant customers and/or surveyors engaged by the customers. Gross amounts due from customers for contract work arise when progress billings has not yet taken place as at a financial year end date in respect of the construction works performed by our Group during that financial year. Please refer to the section headed "Financial Information — Amounts due from/(to) customers for contract work" in this prospectus for further details. There is no assurance that we will be able to bill and receive the full amount of gross amounts due from our customers for contract work as we may not be able to reach an agreement with the customers on the value of our work done. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected.

Furthermore, the aggregate amount of revenue that we are able to derive from a project may fluctuate from the original contract sum specified in the relevant contract for the project due to variation orders (including addition, modification or cancellation of certain contract works) placed by our customers from time to time during the course of project execution. Please refer to the section headed "Business — Customers — Major terms of engagement with our customers" in this prospectus for further details of variation orders. As such, there is no assurance that the amount of revenue derived from our projects will not be substantially different from the original contract sum as specified in the relevant contracts and our financial condition may be adversely affected by any decrease in our revenue as a result of variation orders.

## RISK FACTORS

### **We need to maintain necessary qualification and registration for the operation of our business**

We are required to maintain our qualification as a registered general building contractor with the Buildings Department to conduct our business. Please refer to the section headed “Business — Licences and permits” in this prospectus for further details. To maintain such qualification and registration, we must comply with the restrictions and conditions imposed by the Buildings Department. For instance, contractors registered with the Buildings Department are subject to a regulatory regime which is put in place to ensure contractors’ standards of financial capability, expertise, management and safety. Please see the section headed “Regulatory Overview — Laws and regulations in relation to the contractor licensing regime” in this prospectus for additional information.

Further, the standards of compliance required may from time to time be subject to changes without substantial advance notice. We cannot assure that all the required qualifications and registrations can be maintained or renewed in a timely manner or at all. If we fail to comply with any of these restrictions or conditions, our qualifications and registrations could be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of their original terms may be delayed or refused. In such event, our capability to undertake relevant works may be directly impacted, and our turnover and profits may be adversely affected.

### **We rely on the service of our Authorised Signatory and Technical Directors for the Group’s registrations maintained with the Buildings Department**

We are a general building contractor registered with the Buildings Department. In order to maintain such registrations, Head Fame, our operating subsidiary, must have at least one Authorised Signatory to act for it for the purpose of the Buildings Ordinance and one Technical Director to carry out certain duties. Set out below is the Technical Directors and the Authorised Signatory of Head Fame for purposes of the Buildings Ordinance:

<b>Qualification</b>	<b>Technical Director</b>	<b>Authorised Signatory</b>
General building contractor	Mr. KM Chan Mr. Wan Sze Hok Wilson	Mr. KM Chan

The Building Authority imposes certain requirements on the qualifications and experience of such authorised signatory and technical director. For details of our Group’s major registrations and qualification for our services, please refer to the section headed “Business — Licences and permits” in this prospectus.

Departure or disqualification of the Authorised Signatory(ies) or Technical Director(s) may result in suspension of our Group’s registrations maintained with the Buildings Department if no replacement is identified and applied for. In the event that any of the Authorised Signatory(ies) or Technical Director(s) leaves our Group, our Group may not be able to identify and recruit staff with adequate qualifications and experience eligible to become authorised signatory or technical director in a timely manner, thereby potentially resulting in suspension of our Group’s registrations maintained with the Buildings Department. In such event, our Group may not be able to accept new project that require a registered general building contractor qualification and we may not be able to perform our projects on hand. This may result in interruption to our operation, project delay or even breach of the contract terms with our customers and therefore causing material impact on our financial and operational results.

## RISK FACTORS

### **Increases in construction material costs and substandard construction materials may have an adverse impact on our financial results**

Our principal construction materials include concrete and reinforcement steel. For each of the three years ended 31 March 2018, the costs of construction materials amounted to approximately HK\$35.7 million, HK\$46.7 million and HK\$33.3 million representing approximately 12.2%, 14.0% and 8.2% of our total cost of services, respectively.

There is no guarantee that the quality of construction materials supplied to our Group meets our required standards for reasons which are beyond our control, and we may be forced to replace these construction materials from other suppliers at additional costs or may be subject to time delay. Furthermore, we cannot guarantee that the cost of construction materials will be stable. If we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on a part or the whole of any additional costs to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

### **Cash inflows and outflows in connection with construction projects may be irregular thus may affect our net cash flow position**

Cash flows from operating activities primarily consisted of our Group's revenue from superstructure building and RMAA works undertaken by us. For the three years ended 31 March 2018, we recorded net operating cash outflow of approximately HK\$16.4 million in FY2018, net operating cash inflow of approximately HK\$13.6 million, HK\$20.3 million in FY2016 and FY2017 respectively.

In a construction project, net cash outflows to pay certain operating expenditures may not align with progress payments to be received at the relevant periods. Progress payments will be paid after our construction works commence and are certified by our customers (or authorised persons employed by them). Accordingly, the cash inflow and outflow for a particular project may fluctuate as the construction works proceed. For instance, for the year ended 31 March 2018, we had net cash used in operating activities of approximately HK\$16.4 million. If during any particular period of time, there exists too many projects which require substantial cash outflow while we have significantly less cash inflows during that period, our cash flow position may be adversely affected.

### **We are subject to covenants under certain banking facilities and we may not be able to comply with them at all times**

All of our bank facilities are subject to the fulfillment of covenants relating to our Group's financial position, certain requirement on the operation and the dividend payment, as are commonly found in lending arrangements with financial institutions. If we fail to comply with these covenants and are unable to rectify such non-compliance, the drawn down facilities may become repayable on demand at the request of the lenders. As at 31 March 2016, our Group failed to comply with one of the covenants on the bank borrowings of approximately HK\$9,716,000 granted in February 2016 regarding the minimum level of trade receivables transactions routing through the operation account maintained with the subject bank. For further details, please refer to the paragraph headed "Financial Information — Indebtedness — Bank borrowings" in this prospectus. If we do not comply with these covenants imposed by the lenders in the future, we may be subject to accelerated repayment obligations and may be unable to renew or obtain sufficient banking facilities on commercially acceptable terms or at all, which in turn could materially and adversely affect our liquidity position.

## RISK FACTORS

### **We may face liquidity risk in relation to the increase in staff costs upon our planned recruitment of additional staff**

We plan to utilise approximately HK\$4.2 million of the net proceeds from the Share Offer to hire six staff by the year ending 31 March 2019, details of which are set out in the section headed “Future Plans and Use of Proceeds” in this prospectus. Should we fail to secure new projects or sufficient profitable projects, we may have to take measures to reduce our staff costs and/or reduce our workforce. If we fail to do so in a timely manner, our profitability will be adversely affected and we may also face liquidity risk as payment of salaries are required on a recurring basis irrespective of cash inflows from our projects. The abovementioned increased costs without a corresponding increase in revenue will adversely affect our financial performance.

### **We depend on our key management personnel**

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors, Mr. KT Chan and Mr. KM Chan, are important to us. Please refer to the section headed “Directors and Senior Management” in this prospectus for further details. If any of these executive Directors cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business, results of operation and profitability of our Group.

### **We rely on our major customers**

For each of the three years ended 31 March 2018, our five largest customers accounted for approximately 98.3%, 97.4% and 93.9% of our revenue, respectively, and our largest customer accounted for approximately 36.9%, 63.3% and 35.7% of our revenue, respectively.

There is no assurance that our major customers will maintain the current business relationship with us and engage us in the future. Any deterioration in the business relationship or termination of the business relationship with our major customers may adversely affect our financial position if we fail to find other customers or diversify our customer base.

### **Our past revenue and profit margin may not be indicative of our future revenue and profit margin**

Given that our business is contract-based and operated on non-recurring basis, and our revenue and profit margin in respect of our projects depend on price of our tender and unexpected obstacles of our building works, such as the increase in length of contract period and project costs as well as the conditions of the relevant construction site, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period.

For the three years ended 31 March 2018, our revenue amounted to approximately HK\$323.4 million, HK\$371.7 million and HK\$448.6 million, respectively; our gross profit amounted to approximately HK\$30.0 million, HK\$38.7 million and HK\$44.0 million, respectively (representing gross profit margin of approximately 9.3%, 10.4% and 9.8%, respectively); while our net profit amounted to approximately HK\$19.7 million, HK\$22.5 million and HK\$23.3 million, respectively (representing net profit margin of approximately 6.1%, 6.0% and 5.2%, 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 or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. Profit margins for our project may fluctuate from project to project due to factors such as the type of construction techniques and machinery and equipment employed and the amount of labour resources required. There is no assurance that our profit margins 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 profit margins.

### **It is not uncommon in our industry to have numerous construction disputes and litigation. Our performance may be adversely affected by such construction disputes and litigation**

It is not uncommon in our industry to have construction disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed “Business — Litigation and potential claims” in this prospectus for further information on material disputes or litigation we encountered during the Track Record Period.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management’s attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

### **Our insurance may not fully cover all the potential losses arising from our business**

As a main contractor, we take out employees’ compensation insurance and contractors’ all risks insurance which cover employees of our Group and subcontractors directly engaged by our Group and works performed by us or them. For details, please refer to the section headed “Business — Insurance” set out in this prospectus. Nonetheless, there is no assurance that all potential losses and expenses incurred from damages or liabilities in relation to our business can be fully covered by insurance. In particular, when subcontractors are nominated by our customers e.g. developers or landlord of the relevant projects (the “**Nominated Subcontractors**”), our employees’ compensation insurance maintained for relevant construction projects does not cover employees of such Nominated Subcontractors and their subcontractors. Instead, liabilities of the Nominated Subcontractors and their subcontractors for injuries suffered by their respective employees at the relevant construction sites are covered under employees’ compensation insurance policies maintained by such Nominated Subcontractors. As such, our existing insurance may not be sufficient to compensate us for any losses arising from common law personal injury claims brought by such employees against our Group. In the event that we suffer from any losses, damages or liabilities in the course of our business operations

## RISK FACTORS

which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

### **Contractual disputes may arise from variation orders requested by our customers**

In the course of project implementation, our customers may give “variation orders” to us and request us to alter the scope of works or perform additional works on top of the scope of the original construction contracts. The terms of these “variation orders” are agreed between our Group and the surveyor authorised by our customers in accordance with, among other things, any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances to) any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. If our Group disagrees on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

### **We may be unable to implement our business strategies effectively**

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies, including continuing to expand our scope of services, competing for sizeable superstructure building and RMAA works contracts, improving our margins and profitability, capturing the growing superstructure building and RMAA works from private sector, as well as pursuing strategic geographical expansion and acquisitions.

Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our key customers, the Government’s policies on the property market in Hong Kong, the current growth prospects for private development projects, the availability of management, financial, technical, operational and other resources, and competition. The implementation of these strategies is therefore subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

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

Our Group declared and paid an interim dividend of HK\$19.8 million for the year ended 31 March 2017 and HK\$6.0 million for the year ended 31 March 2018 of which an amount of approximately HK\$2.4 million was settled by offsetting with an amount due from a director and the remaining HK\$3.6 million has been fully settled. Any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including, our operating results, financial condition, future prospects and other factors which our Board may deem important. Accordingly, our historical dividends are not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

## RISK FACTORS

### **Our Group has records of certain non-compliance of Hong Kong regulatory requirements**

There have been instances of non-compliances with certain Hong Kong regulatory requirements by our Group. These include, among others, non-compliance with the Noise Control Ordinance, Construction Sites (Safety) Regulations, Lifting Appliances and Lifting Gear Regulations, Buildings Ordinance, Inland Revenue Ordinance and Public Health and Municipal Services Ordinance, details of which are set out in the section headed “Business — Non-compliance” in this prospectus. According to our Legal Counsel, the maximum penalty for failure to submit Form 56E and Form 56F in accordance with section 52(4) and (5) of the Inland Revenue Ordinance could amount to HK\$550,000 and HK\$360,000 respectively. If the relevant Government authorities take enforcement actions against the relevant subsidiary of our Group and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay penalty or other liabilities may incur, and our business, financial condition and results of operations may be adversely affected.

### **Our Group had tax liabilities and errors in our subsidiary’s financial statements for the year ended 31 March 2015**

In preparation of the financial information of our Group for the Track Record Period, the management of our Company had identified errors, being mainly accounting errors in relation to the recognition of contract revenue and corresponding contract costs for our construction contracts, in the statutory financial statements of our operating subsidiary, Head Fame, for the year ended 31 March 2015. For further details, please refer to the paragraph headed “Financial Information — Tax payable” in this prospectus. There is no assurance that the relevant authorities would not take any enforcement action against Head Fame in relation to the tax errors. In the event that such enforcement action is taken, and the amount of tax penalty imposed exceeds substantially than what we expect, our reputation and cash flow may be affected.

## **RISKS RELATING TO OUR INDUSTRY**

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

All our operations and management were located in Hong Kong during the Track Record Period and up to the Latest Practicable Date. Given our customers are mostly private sector property developers, the future growth and profitability of the construction industry largely depends on the continued prosperity of the property market and the construction industry in Hong Kong. The nature, extent and timing of these construction projects will, however, be determined by 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 construction projects from the private sector or other institutional bodies. Our Group believes that since the construction sectors are cyclical in nature, the demand of our service may be reduced with the downturn in the construction sector, as well as reduction in the overall value and number of property development projects due to economic downturn. According to the Ipsos Report, there is an expected decrease in revenue growth rate of building construction works industry from a CAGR of approximately 15.5% from 2013 to 2017 to a CAGR of approximately 3.3% from 2018 to 2022 and an expected decrease in revenue

## **RISK FACTORS**

growth rate of RMAA works industry from a CAGR of approximately 7.8% from 2013 to 2017 to a CAGR of approximately 0.5% from 2018 to 2022. As such, our performance and profitability may be adversely impacted. Other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. During the Track Record Period, our Group derived our entire turnover in Hong Kong market. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for construction works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

### **We operate in a highly competitive market**

The industry we operate is highly competitive, and there are a significant number of industry players that provide works services similar to ours. According to the Ipsos Report, as of July 2018, there were about 731 qualified registered general building contractors registered with the Buildings Department which are qualified to undertake superstructure building and RMAA works. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, more established relationship with property developer, and greater marketing and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the various licences and qualifications required.

In addition, each of the superstructure building works industry and the RMAA works industry in Hong Kong has a relatively fragmented competitive landscape. The top five industry players accounted for approximately 15.8% and 15.4% market share in terms of the industry revenue of the superstructure building works industry in Hong Kong in 2017 and the industry revenue of the RMAA works industry in Hong Kong in 2016, respectively. If the competition among main contractors intensifies, we may be under pressure to reduce our tender price, which would have an adverse impact on our project profitability and operating results. We cannot guarantee that we can effectively cope with the enhanced competition in the future or that we may maintain our market position in the industry.

### **Shortage of labour may affect our projects and our performance**

There is no assurance that the supply of labour and average labour costs will be stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors have to retain their labour) by increasing their wages, our staff cost or subcontracting fees (as the case may be) will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our or their existing labour or recruit sufficient labour in a timely manner, we may not be able to complete our projects on schedule and may be subject to liquidated damages and incur losses.

### **Industrial actions or strikes may affect our business**

Typical superstructure building works and RMAA works are divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our projects. There is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence the profitability and results of our operation.



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### **Our operations may be affected by adverse weather conditions and are subject to other construction risks**

Our business operations are mostly conducted outdoors and are vulnerable to adverse weather conditions. If adverse weather conditions persist or natural disaster occurs, we may be prevented from performing works at our sites, and thereby fail to meet specified time schedule. If we have to halt operations during inclement weather or natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability.

Furthermore, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, Middle East respiratory syndrome, severe acute respiratory syndrome, Ebola virus disease and Zika virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers, subcontractors and employers.

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

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

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the subscribers of our Shares in the Share Offer will experience an immediate dilution in unaudited pro forma net tangible asset value to HK\$0.19 per Share and HK\$0.21 per Share based on the indicative Offer Price range of HK\$0.45 per Offer Share and HK\$0.55 per Offer Share respectively. Our Group 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.

Furthermore, additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

#### **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 with, 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 turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel,

## RISK FACTORS

litigation, fluctuations in the market prices for the products or the raw materials of our Group, the liquidity of the market for the Shares, 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.

### **Any disposal by the 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 the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by our Controlling Shareholders or any party who becomes a Controlling Shareholder or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

### **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, among other things, the Articles of Association, 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 Shareholders is set out in Appendix III to this prospectus.

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

Future issue of Shares by our Company or the disposal of a substantial number of Shares by any of the Shareholders or the perception that such issues 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.

## **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 officials or independent third parties. In addition, certain information and statistics set forth in this section have been extracted from the Ipsos Report. Our Company believes that the sources of the information are appropriate sources

## RISK FACTORS

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 are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

### **Our Group's future results could differ materially from those expressed in or implied by the forward-looking statements**

This prospectus includes various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed in 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 statement**

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager and the Underwriters, our directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer 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, 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 subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

## 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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. 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.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and Conditions of the Share Offer" and in the related Application Forms.

The Listing is sponsored by the Sponsor and the Share Offer is lead managed by the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters.

### **RESTRICTIONS ON SALE OF 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, 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 such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions 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. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

**Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.**

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

Prospective applicants for the Offer Shares should consult their financial advisors 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.

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

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

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

### **HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY**

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Underwriter, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

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

### **REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES**

We have instructed Tricor Investor Services Limited, our Hong Kong Branch Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Branch Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

### **NO CHANGE IN THE NATURE OF BUSINESS**

No change in the nature of business of our Group is contemplated following the Listing.

### **ROUNDING**

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table between totals and sum of amounts listed therein are due to rounding.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer”.

### **PROCEDURES 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 the Public Offer Shares” and on the related Application Forms.

### **OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

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

Dealings in the Shares are expected to commence on Wednesday, 22 August 2018. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares will be 1783.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, conversion of US\$ into HK\$ in this prospectus is based on the exchange rate set out below (for illustration purposes only):

US\$1.00: HK\$7.80

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

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<b>Executive Directors</b>		
Mr. Chan Kam Tong (陳金棠)	No.100 Pinaceae Drive Palm Springs Westwood Yuen Long New Territories Hong Kong	Chinese
Mr. Chan Kam Ming (陳金明)	Room B, 38/F, The Palace 83 Broadcast Drive Kowloon Tong Kowloon Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Mr. Hau Wing Shing Vincent (侯穎承)	Flat A, 30/F, Tower 3 Phase 1 Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong	Chinese
Mr. Szeto Cheong Mark (司徒昌)	7/F, Block F, The Hilltop 60 Cloudview Road North Point Hong Kong	Canadian
Mr. Wan Simon (溫耀祥)	No. 2, G/F, Lake Court Hong Kin Road Sai Kung Kowloon Hong Kong	British

For details of our Directors and senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.



## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sponsor

##### **Dakin Capital Limited**

Room 2701, 27/F, Tower 1, Admiralty Centre  
18 Harcourt Road, Admiralty, Hong Kong  
*(A licensed corporation carrying on Type 6  
(advising on corporate finance) regulated activity under the SFO)*

#### Joint Bookrunners

##### **Pacific Foundation Securities Limited**

11/F, New World Tower II  
16–18 Queen's Road Central, Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities)  
and type 9 (asset management) regulated activities under the SFO)*

##### **Sincere Securities Limited**

9/F, Cosco Tower, 183 Queen's Road Central  
Sheung Wan, Hong Kong  
*(A licensed corporation carrying on Type 1 (dealing in securities),  
Type 4 (advising on securities) and Type 9 (asset management)  
regulated activities under the SFO)*

#### Joint Lead Managers

##### **Pacific Foundation Securities Limited**

11/F, New World Tower II  
16–18 Queen's Road Central, Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities)  
and type 9 (asset management) regulated activities under the SFO)*

##### **Sincere Securities Limited**

9/F, Cosco Tower, 183 Queen's Road Central  
Sheung Wan, Hong Kong  
*(A licensed corporation carrying on Type 1 (dealing in securities),  
Type 4 (advising on securities) and Type 9 (asset management)  
regulated activities under the SFO)*

##### **Alpha Financial Group Limited**

Room A, 17/F, Fortune House  
61 Connaught Road Central  
Central, Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities)  
regulated activity under the SFO)*

##### **ChaoShang Securities Limited**

Rooms 4001–4002, China Resources Building  
26 Harbour Road, Wanchai, Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities)  
and type 2 (dealing in futures contracts) regulated activities under  
the SFO)*

#### Co-Manager

##### **Frontpage Capital Limited**

26/F, Siu On Centre, 188 Lockhart Road  
Wanchai, Hong Kong  
*(A licensed corporation carrying on type 1 (dealing in securities)  
and type 6 (Advising on corporate finance) regulated activities under  
the SFO)*

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### Legal adviser to our Company

*As to Hong Kong law*

**Guantao & Chow Solicitors and Notaries**

Suites 1604–6, 16/F, ICBC Tower  
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Hong Kong

*As to Hong Kong law*

**Mr. Chan Chung**

Barrister-at-law  
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*As to Cayman Islands law*

**Appleby**

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Hong Kong

### Legal adviser to the Sponsor, the Joint Bookrunners, the Joint Lead Managers, Co-Manager and the Underwriters

*As to Hong Kong law*

**D. S. Cheung & Co.**

29/F., Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### Auditors and reporting accountants

**BDO Limited**

*Certified Public Accountants*

25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### Tax Adviser

**BDO Tax Limited**

25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### Internal Control Consultant

**RSM Consulting (Hong Kong) Limited**

29th Floor, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
--

**Industry research consultant**

**Ipsos Limited**  
22/F Leighton Centre  
No.77 Leighton Road  
Causeway Bay  
Hong Kong

**Receiving bank**

**Bank of Communications Co., Ltd.**  
**Hong Kong Branch**  
20 Pedder Street  
Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters, head office and principal place of business in Hong Kong</b>	Unit 2105, 21/F., Win Plaza 9–11 Sheung Hei Street San Po Kong Kowloon Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.headfame.com.hk">www.headfame.com.hk</a></u></b> <i>(Information contained in this website does not form part of this prospectus)</i>
<b>Authorised representatives</b>	Mr. KT Chan (陳金棠) No.100 Pinaceae Drive Palm Springs Westwood Yuen Long New Territories Hong Kong  Mr. KM Chan (陳金明) Room B, 38/F, The Palace 83 Broadcast Drive Kowloon Tong Kowloon Hong Kong
<b>Company secretary</b>	Mr. Wong Chi Chui (黃智取), CPAA, HKICPA Flat B, 21/F, Block 1 Tanner Garden 18 Tanner Road North Point Hong Kong
<b>Audit committee</b>	Mr. Szeto Cheong Mark (司徒昌) ( <i>Chairman</i> )  Mr. Hau Wing Shing Vincent (侯穎承)  Mr. Wan Simon (溫耀祥)

## CORPORATE INFORMATION

<b>Nomination committee</b>	Mr. Chan Kam Tong (陳金棠) ( <i>Chairman</i> ) Mr. Hau Wing Shing Vincent (侯穎承) Mr. Wan Simon (溫耀祥)
<b>Remuneration committee</b>	Mr. Wan Simon (溫耀祥) ( <i>Chairman</i> ) Mr. Chan Kam Ming (陳金明) Mr. Szeto Cheong Mark (司徒昌)
<b>Compliance Adviser</b>	<b>Dakin Capital Limited</b> Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
<b>The Cayman Islands principal share registrar and transfer office</b>	<b>Estera Trust (Cayman) Limited</b> Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	<b>The Bank of East Asia, Limited</b> G/F, Kalok Building 720-722 Nathan Road Mongkok Kowloon Hong Kong  <b>The Hongkong and Shanghai Banking Corporation Limited</b> HSBC Main Building 1 Queen's Road Central Central Hong Kong

## INDUSTRY OVERVIEW

*We have extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.*

### SOURCE AND RELIABILITY OF INFORMATION

#### Background of Ipsos

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of the superstructure building works industry and RMAA works industry in Hong Kong, at a fee of HK\$618,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,600 personnel worldwide across 88 countries.

#### Research methodology

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

#### Assumptions and parameters used in the Ipsos report

Forecast data was projected based on historical data regarding macro-economic factors as well as industry-specific drivers and the development of the construction industry. The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- It is assumed that the supply of and demand in the construction industry, superstructure building works industry and the RMAA works industry in Hong Kong will remain stable and develop over the forecast period.
- It is assumed that there will be no external shocks such as financial crises or natural disasters which could affect the demand and supply in Hong Kong's construction industry, the superstructure building works industry and the RMAA works industry during the forecast period, and that the global economy remains in a steady growth during the forecast period.

Based on the above, our Directors and the Sponsor are satisfied that the disclosure of future projection and industry data included in this section is not misleading.

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

## INDUSTRY OVERVIEW

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

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

- Gross output value of overall construction works performed by main contractors from 2013 to 2022, segmented by public and private sectors in Hong Kong.
- Total number of private residential housing units in newly completed projects in Hong Kong from 2013 to 2017.
- Total square meter of private office premises newly completed in Hong Kong from 2013 to 2017.
- Average wholesale price trend of steel reinforcements and cement in Hong Kong from 2013 to 2017.
- Price trend of average wages of workers in the superstructure building works industry and the RMAA works industry from 2013 to 2017.

### MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

The construction industry plays an important role in sustaining Hong Kong's economy. The construction industry accounted for 3.6% of Hong Kong's GDP in 2012 and the proportion increased to 5.2% in 2016. The public sector experienced a stronger growth in construction project value than the private sector between 2012 to 2016 due to the large size of infrastructure projects.

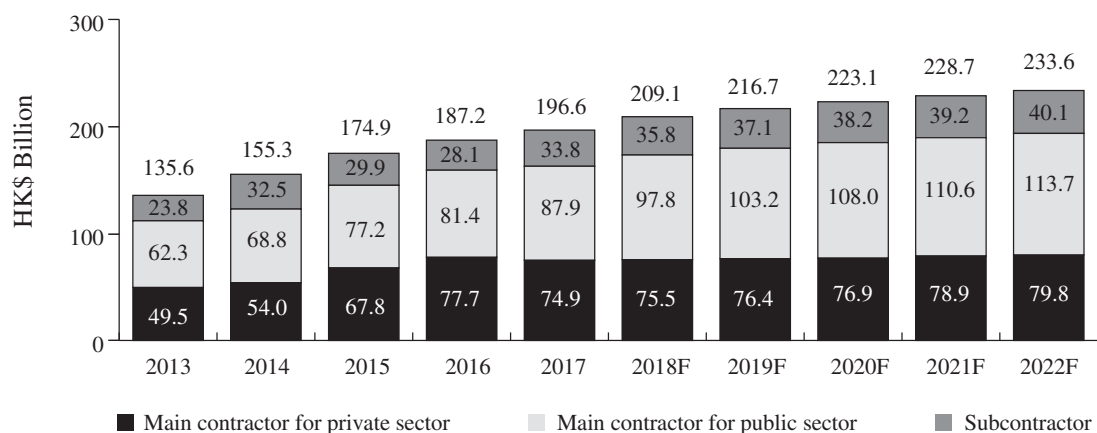
The construction industry in Hong Kong is quite competitive and subcontracting activities are common in the industry.

Due to the nature of the superstructure works and RMAA works which the Company operates, the customer base of the Company is relatively concentrated to private property developer in Hong Kong. As a result, given the market landscape of superstructure works industry and RMAA works industry in Hong Kong, the potential customer base of the Company is relatively limited.

### Gross output value of construction works in Hong Kong

The graph below sets forth the gross output value of construction works in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022:

**Gross Output Value of Overall Construction Works Performed at Construction Sites in Hong Kong from 2013 to 2022**



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

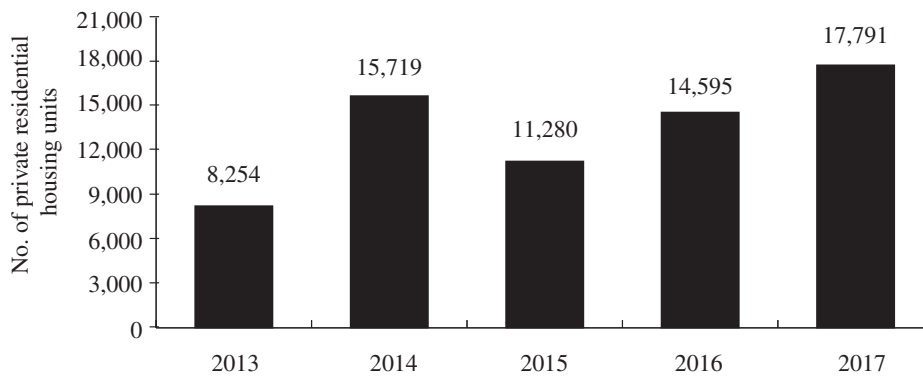
## INDUSTRY OVERVIEW

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong increased from about HK\$135.6 billion in 2013 to about HK\$196.6 billion in 2017, representing a CAGR of approximately 9.7%. The total gross output value is expected to grow from HK\$209.1 billion in 2018 to HK\$233.6 billion in 2022, representing a CAGR of approximately 2.8%.

According to the Construction Industry Council, the construction expenditure on building works which include superstructure works contributed approximately 35.5% of the total construction expenditure of overall construction works from April 2015 to March 2016. Additionally, the construction expenditure on RMAA works contributed approximately 25.2% of the total construction expenditure of overall construction works from April 2015 to March 2016.

### Number of new private residential housing units produced in Hong Kong

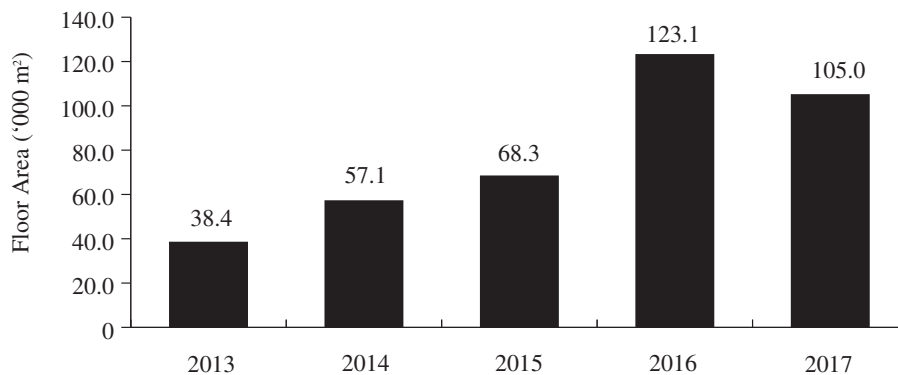
The chart below sets forth number of private residential housing units produced in Hong Kong from the year 2013 to 2017.



Sources: Rating and Valuation Department, HKSAR; Ipsos research and analysis

The number of new private residential housing units produced grew from 8,254 units in 2013 to 17,791 units in 2017, at a CAGR of 21.2%. To maintain the healthy and stable development of the property market, the Government closely monitors the market developments as well as remaining alert to risks of a property bubble. Additionally, the Government has implemented various measures such as increasing land supply, combating speculative activities, increasing transparency in property transactions and preventing excessive expansion in mortgage lending. By the end of 2017, the private housing units produced rose to an eight-year high of about 17,791 units.

The chart below sets forth the total floor area of private commercial space completed in Hong Kong from the year 2013 to 2017.



Sources: Rating and Valuation Department, HKSAR; Ipsos research and analysis



## INDUSTRY OVERVIEW

The total floor area of private commercial space completed in Hong Kong grew from about 38,400 m<sup>2</sup> in the year 2013 to about 105,000 m<sup>2</sup> in the year 2017, at a CAGR of around 28.6%. The growth was partially attributed to Hong Kong Government's initiative to increase the land supply for commercial use.

According to the 2016 Policy Address, in 2015–16, Hong Kong Government sold three business sites with 68,000 m<sup>2</sup> of buildable gross floor area. According to the 2017 Policy Address, with respect to land for commercial and other economic activities, land sale by the Hong Kong Government can provide approximately 555,000 m<sup>2</sup> of buildable gross floor area. In addition, Kowloon East is expected to further increase the commercial floor area by about 4.7 million m<sup>2</sup>.

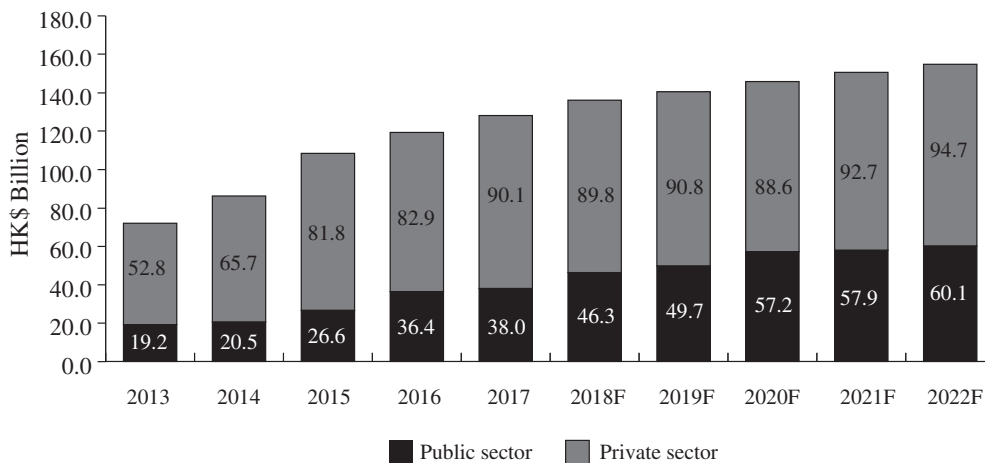
### MARKET OVERVIEW OF THE SUPERSTRUCTURE BUILDING WORKS INDUSTRY AND RMAA WORKS INDUSTRY IN HONG KONG

Superstructure is that part of the structure which is above ground level, and which serves the purpose of its intended use, including column, beam, floor, wall and roof, etc. Superstructure building works is a part of building construction works. Generally, construction of buildings includes erection of architectural superstructures, structural steel framework erection, other new building construction and structural alteration & addition works, etc. The demand for superstructure building works is driven by both public and private sectors. For the private sector, it mainly includes the construction of private residential, commercial and office buildings. Construction projects for new buildings which are commissioned by the Urban Renewal Authority (“URA”) are also considered as private projects.

RMAA works include repair and maintenance works as well as alteration and addition works for the existing buildings in Hong Kong. The RMAA works contractors offer various works and services. For repair and maintenance works, they include restoration and improvement of existing facilities and components of buildings, such as re-roofing, external wall refurbishment, internal wall refurbishment, internal floor refurbishment, internal ceiling refurbishment, doors and windows, plumbing and drainage and electrical works, etc. For alteration and addition works, they include design of new structural works, fitting out works changes in facilities configuration, constructing a new extension to an existing building, conversion of an existing building to different types, such as converting industrial buildings to commercial buildings, fabrication, modification, removal, or installation of hardware and equipment, erection, relocation or removal of partitions, doors, and windows and changes in type of finishes and flooring materials, etc. The demand for RMAA works comes from both public and private sectors. For the private sector, RMAA works are generally undertaken on residential, commercial and office buildings. The RMAA works can also be required by the Buildings Department under Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme. For some redevelopment projects, demolition works may also be involved and are considered as part of RMAA works.

### Estimated revenue of building construction works in Hong Kong

The chart below sets forth the revenue of the building construction works from 2013 to 2017 and forecast from 2018 to 2022.



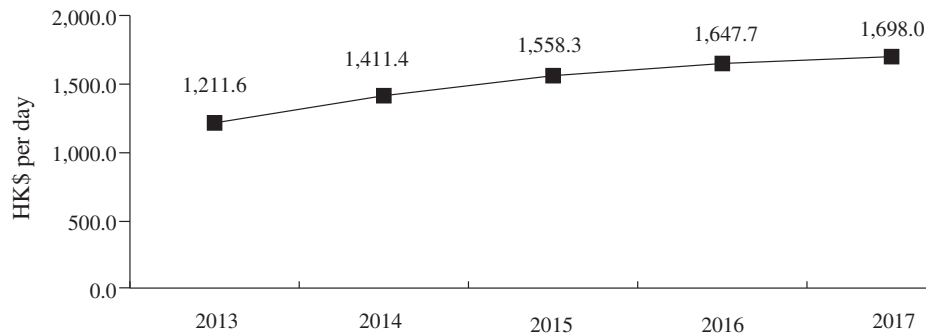
Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

## INDUSTRY OVERVIEW

The revenue of building construction works increased from HK\$72.0 billion in 2013 to HK\$128.1 billion in 2017, at a CAGR of approximately 15.5%. The increase in the revenue of the building construction work between 2013 to 2017 was attributed by the increased construction of residential buildings. According to the Rating and Valuation Department, the completion of private residential buildings increased from 8,254 units in 2013 to 17,791 units in 2017. The estimated revenue of building construction works industry is expected to increase from HK\$136.1 billion in 2018 to approximately HK\$154.8 billion in 2022, at a CAGR of approximately 3.3%. This growth will be driven by the Government's housing policy that was launched to increase the residential housing supply by rezoning development intensity and conducting holistic land use reviews to make optimal use of land. According to the 2016 Policy Address, the Housing Authority and the Hong Kong Housing Society will produce about 97,100 public housing units between 2016 and 2020, of which about 76,700 will be public rental house units and 20,400 will be subsidized sale flat. In addition to the future development of housing supply, other public projects are expected to provide growth momentum to the gross output value. For instance, the Government is planning to construct the Kai Tak Sports Park in the near future, together with the development of Tung Chung New Town Extension, East Kowloon Cultural Centre and various facilities in the West Kowloon Cultural District. Owing to the continuously increasing housing supply as well as buildings construction affiliated with the Ten Major Infrastructure Projects, the estimated revenue of the building construction works in Hong Kong is expected to grow in the future.

### Average daily wages for workers engaging in the superstructure building works industry in Hong Kong

The chart below sets forth the average daily wages for workers engaging in the superstructure building works industry in Hong Kong from 2013 to 2017:



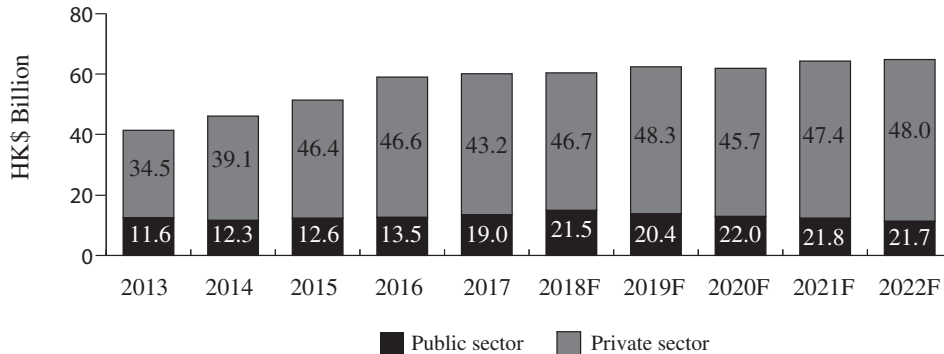
Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The average daily wages of workers engaging in the superstructure building works industry in Hong Kong increased from around HK\$1,211.6 in 2013 to around HK\$1,698.0 in 2017, at a CAGR of approximately 8.8%. The increase in wages was mainly led by the labour shortage and demand for labour from the rising demand for housing, coupled with the Hong Kong Government's initiative to increase housing supply. In addition to the growing demand, the accelerating daily wage of superstructure building workers was a result of labour shortage in the overall construction industry in Hong Kong. Amid the declining labour size, the construction industry has raised the wage level on a yearly basis from 2013 to 2017 in order to attract skilled labour. This rising trend is expected to be a challenge for the industry players as labour shortage continues.

## INDUSTRY OVERVIEW

### Revenue of RMAA works industry in Hong Kong

The chart below sets forth the revenue of the RMAA construction works from 2013 to 2017 and forecast from 2018 to 2022.

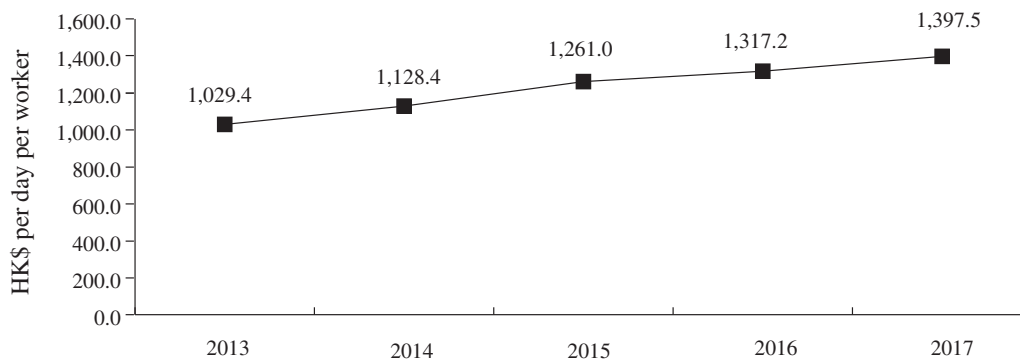


Sources: Census and Statistics Department, HKSAR Ipsos research and analysis

The revenue of RMAA works industry increased from HK\$46.1 billion in 2013 to HK\$62.2 billion in 2017, at a CAGR of approximately 7.8%. The growth was attributable to the Government's initiatives to implement policies and regulations as well as urban renewal plans. For instance, Operation Building Bright introduced by the Urban Renewal Authority serves to support building owners in improving building safety by providing technical assistance and subsidising property owners to carry out building repair and maintenance works. Additionally, the scheme of revitalisation of industrial buildings was announced by the Government in 2009. The aims of the scheme are to provide more floor spaces for suitable uses by changing land uses and converting existing under-utilized industrial buildings to commercial buildings or public facilities. Such initiatives have provided growth momentum to the RMAA works industry from 2013 to 2017. The estimated revenue of RMAA works industry is expected to increase from HK\$68.2 billion in 2018 to HK\$69.7 billion in 2022 with a CAGR of approximately 0.5%. According to the 2016 policy address, the Hong Kong Government planned to invest a total of HK\$200 billion funding in an effort to provide the Hospital Authority for the implementation of the 10-Year Hospital Development Plan. Part of the plan's objectives include the redevelopment and expansion of the existing 11 hospitals, accounting for about 1.3 million square-meters floor space of redevelopment. This initiative along with the 20-Year Urban Renewal Programme launched in 2011 which aims to re-develop ageing buildings are likely to continuously drive the growth of the industry in Hong Kong.

### Average daily wages for workers engaging in the RMAA works industry in Hong Kong

The chart below sets forth the average daily wages for workers engaging in the RMAA works industry in Hong Kong from 2013 to 2017:



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

## INDUSTRY OVERVIEW

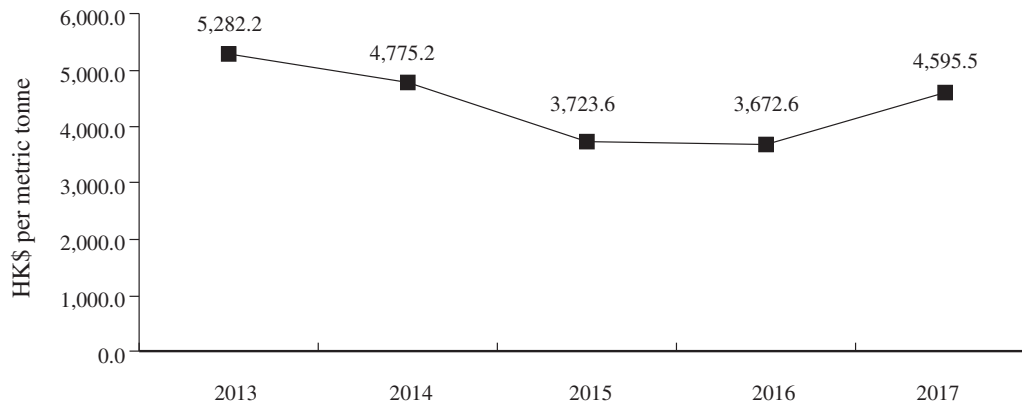
The average daily wages for workers engaging in the RMAA works industry in Hong Kong increased from HK\$1,029.4 in 2013 to HK\$1,397.5 in 2017, at a CAGR of approximately 7.9%. The increase of the average daily wage for workers engaging in the RMAA works industry is attributed to the shortage of labour supply. RMAA workers, specifically the workers of bar bender and fixers, drain layers, plumbers, levellers, carpenters and glazier, are under severe shortage during the period. In addition to the lack of labour supply, the demand for RMAA workers has increased due to the government mandatory scheme announced in 2012. Under the Mandatory Building Inspection Scheme (“MBIS”) issued by the Building Department, over 2,000 selected buildings over 30 years are required to be examined. Where necessary, repair is found and required, owners must execute the necessary repair works. The MBIS also led to the increase of average daily wage for workers engaging in the RMAA works industry.

### HISTORICAL COSTS OF KEY RAW MATERIALS IN THE SUPERSTRUCTURE BUILDING WORKS INDUSTRY AND THE RMAA WORKS INDUSTRY

Both the steel reinforcements and cement are the two of the key raw materials in the superstructure building works industry and the RMAA works industry.

#### Steel reinforcements

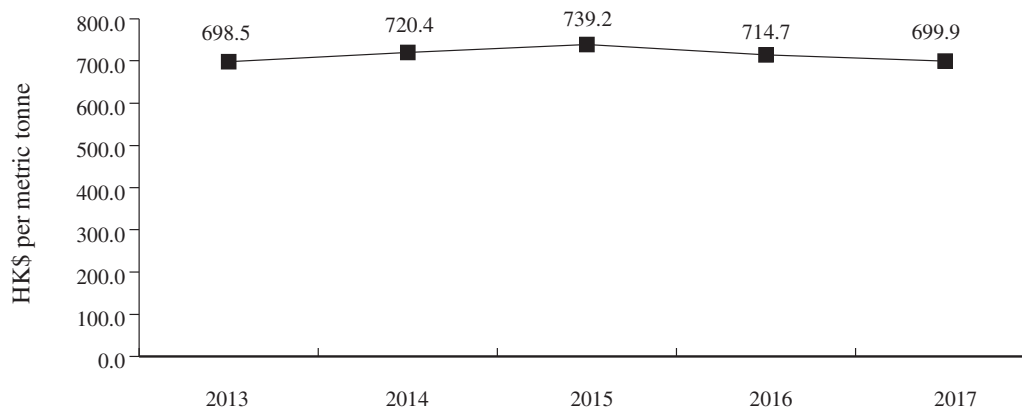
The following graph sets forth the average price trend of steel reinforcements in Hong Kong from 2013 to 2017:



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

The average wholesale price of steel reinforcements (high tensile steel bars) in Hong Kong decreased from HK\$5,282.2 per metric tonne in 2013 to HK\$4,595.5 per metric tonne in 2017, at a CAGR of approximately -3.4%. There has been a general downward trend of the wholesale price of steel reinforcements in Hong Kong, which was caused by the drop of the international price of iron ore for steel production and over production of steel products.

The following graph sets forth the average price trend of cement in Hong Kong from 2013 to 2017:



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

## INDUSTRY OVERVIEW

The average wholesale price of cement in Hong Kong increased from HK\$698.5 per metric tonne in 2013 to HK\$699.9 per metric tonne in 2017, representing a CAGR of approximately 0.1%. As a key raw material in the construction industry, the surging construction projects drove the demand for cement. The number of construction projects launched in Hong Kong has increased since 2013, which generated cement demand and caused the cement average wholesale price to go up.

### COMPETITIVE LANDSCAPE OF THE SUPERSTRUCTURE BUILDING WORKS INDUSTRY IN HONG KONG

#### Competitive Situation

Superstructure building works is part of the building construction works. In many cases, main contractor of a building construction project may carry out both superstructure building works and substructure works together. For the building construction works in Hong Kong, there were about 185 registered public building contractors at the Development Bureau; about 42 registered public housing contractors (New Works) at Housing Authority; and about 731 qualified registered general building contractors of the Building Department as of July 2018. The top five contractors in Hong Kong contributed approximately HK\$18.1 billion, representing approximately 14.1% of the total industry revenue of Hong Kong's building construction works in 2017. The superstructure building works industry in Hong Kong is regarded as fragmented.

According to the Practice Note of General Building Constructors and Special Contractors, registered general building contractors (“**RGBC**”) may carry out general building works and street works, which do not include any specialised works in the designated categories while registered specialist contractors (“**RSC**”) may only carry out specialised works in their corresponding categories the sub-registers in which they have been entered. RGBC may also carry out all types of minor works as stipulated in the Building (Minor Works) Regulation (“**B(MW)R**”) while RSC may only carry out the minor works as specified in the B(MW)R according to their corresponding categories in the sub-registers in which they have been entered.

#### Competitive Landscape of the superstructure building works industry in Hong Kong

Rank	Name of company	Headquarter	Revenue in 2017 (HK\$ million)	Market Share (%)	Business Coverage
1	Company A	Hong Kong	3,776.3	2.9	Building construction, civil engineering, electrical and mechanical engineering, project and construction management, interiors and special projects, railway systems, property development and asset management services
2	Company B	Hong Kong	3,725.6	2.9	Construction of building, bored piling, foundation works, site formation, site infrastructure, roads and drainage, waterworks, site investigation, landslip preventive measures (LPM) and slope works
3	Company E	Hong Kong	3,704.4	2.9	Design, management and construction services in building, civil engineering, foundations, electrical and mechanical, infrastructure maintenance and operation, and interiors refurbishments and fit out
4	Company J	Hong Kong	3,606.6	2.8	Building construction, maintenance, renovation, interior fitting out works and property development
5	Company K	Hong Kong	3,275.7	2.6	Building construction, maintenance, renovation, civil engineering, housing management services and consultancy services
<b>Others</b>			109,976.8	85.9	
N/A	The Group	Hong Kong	420.7	0.3	
<b>Total</b>			128,065.4	100.0%	

*Note:* Revenue of “Others” refer to revenue generated from the rest of the market players other than the top five players.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF THE RMAA WORKS INDUSTRY IN HONG KONG

#### Competitive Situation

The RMAA works industry in Hong Kong is a fragmented market. There were around 731 approved main contractors registered with RGBC and 156 approved contractors registered under the Building Category of the List of Approved Contractors for Public Works, as of April 2018. In total, the top five players accounted for around 15.5%, or equivalently HK\$9,313.1 million in the RMAA works industry in 2016, which shows that the market is not dominated by the top players.

Rank	Name of Company	Headquarter	Listing Status	Revenue in 2016 (HK\$ million)	Market Share (%)	Business Coverage
1	Company C	Hong Kong	Listed	2,704.6	4.5%	Building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, pre-cast products manufacturing and trading, property development, hotel and property investment. Do both private and public projects but more focus on public sector.
2	Company J	Hong Kong	Listed	2,465.6	4.1%	Civil engineering, building, foundations construction, electrical & mechanical installation, and fitting out works. Do both private and public projects but more focus on private sector.
3	Company K	Hong Kong	Listed	1,717.0	2.8%	Property and Facility Management, Interiors & Special Projects, Property Management Services, Building Consultancy and Improvement Works. Do both private and public projects.
4	Company L	Hong Kong	Listed	1,370.3	2.3%	Fitting-out Business, Alteration and Addition and Construction Business, Manufacturing, Sourcing and Distribution of Interior Decorative Materials. Focus mainly on private projects.
5	Company B	Hong Kong	Listed	1,055.6	1.8%	Property development operations, construction, interior fitting out, building renovation, maintenance and cement operations. Do on both private and public projects.
<b>Others</b>				50,819.6	84.5%	
N/A	The Group	Hong Kong	Private	28.2	0.05%	
<b>Total</b>				60,132.7	100.0%	

*Note:*

- (1) Revenue of “Others” refer to revenue generated from the rest of the market players other than the top five players.
- (2) The 2017 ranking table of the RMAA works industry is not available as at the date of this prospectus.

*Source: Ipsos research and analysis*

## INDUSTRY OVERVIEW

### FACTORS OF COMPETITION

#### Relationship with private developers and architects

Main contractors with established relationships with major private developers and architects will definitely have a better chance of winning private contracts. Private developers and architects of construction works generally have their own list of contractors for tender invitation. Therefore, building good and sustainable relationships with major developers and architects is an advantage to superstructure building work as well as RMAA works contractors, in being included in the preference list and winning private tenders.

#### Quality of works

The quality of works is the top priority in the construction industry. Inferior building works can have a significant implication on building safety and the construction schedule. Moreover, it is more likely that the Hong Kong Government and private developers to cooperate with contractors who can provide high quality works with a solid track record. Therefore, quality of works is the fundamental in increasing the likelihood of securing superstructure building construction projects and RMAA works projects in the industry.

### MARKET DRIVERS AND OPPORTUNITIES

#### Increased number of newly constructed buildings in private sector

The growth of superstructure building works will be partially driven by the construction of private residential, commercial and office buildings. According to the 2017 Policy Address, an approximate amount of 560,000 square metres of commercial and office floor area will be released through relocation of existing government facilities in two areas in Kwun Tong and Kowloon Bay, and the number of large-scale commercial sites will be increasing in the next few years. The continuous provision of land for commercial developments as supported by Government policy is expected to drive up commercial building construction activities in Hong Kong.

#### Rising numbers of residential and commercial building projects

The Hong Kong Government strived to increase the land supply for residential and commercial uses. According to the 2016 Policy Address, projected supply of the private housing from first-hand residential property market for the coming three to four years is expected to be approximately 87,000 units. Additionally, the Housing Authority will provide approximately 97,100 public housing units, of which about 76,700 will be public rental housing units and about 20,400 will be subsidized sale flats. Additionally, the projects regarding Kwu Tung North and Fanling North New Development Areas, Tung Chung New Town Extension, Hung Shui Kiu New Development Areas and Yuen Long South Development are progressing, which will provide over 7.8 million m<sup>2</sup> of floor area for commercial or industrial uses in the next three to four years. In response to the increasing demand and land supply for residential and commercial properties, more new built construction and RMAA works projects are expected.

As per Budget Speech 2017–18, the New Town Development Programme initiated by the Government since 1973, being one of the major public work projects on which the Government increase spending, holds the basic concept to provide a balanced and self-contained community in terms of the provision of infrastructure and community facilities. Being part of the major developments, both public housing and private housing will be accommodated in these new towns supported by essential infrastructure to tackle population growth. Although our Group is currently not eligible to undertake public sector projects as a main contractor, the Government's initiative to increase public spending on the development of new towns, will increase the demand for new private housing establishments thus create more opportunities for main contractors to tender for more projects in the private sector.

Furthermore, the development of railway network, such as Shatin-Central Line, in Hong Kong will stimulate the development of private residential buildings and other associated buildings such as shopping malls. With the continuous development of railway network, tender for projects from private sector are expected to be released to facilitate the railway network development. According to Hong

## INDUSTRY OVERVIEW

Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” (“Hong Kong 2030+”), it is expected to continue underscoring a compact transit-oriented development pattern. A continuous railway network development is expected, so is the associated building construction development in private sector.

### **New technologies and innovative construction method**

The Hong Kong government has been actively encouraging contractors to adopt new and innovative construction technologies such as the use of Building Information Modelling (BIM) and prefabricated steel reinforcement components. According to the 2017 policy address, promoting these cost-effective and productive construction methods may help to ease the challenges of high construction costs and labor shortage in recent years. The government and other stakeholders planned to support the adoption of such initiatives in the industry by providing financial aids and latest information on local and overseas technologies, which is expected to enhance the performance of the building construction contractors in Hong Kong.

### **Demand for private RMAA projects drove by the URA, MWIS and MBIS projects**

The URA supports the Government initiative of “Operation Building Bright” and provides assistance to property owners within the scheme areas to carry out building repair and maintenance work. Within the scheme, rehabilitation projects have been carried out in districts, including Wan Chai, Tsuen Wan, Sham Shui Po, Kwun Tong, Kowloon City, Central & Western and Yau Tsim Wong.

In addition, according to the Buildings Department, under the Mandatory Window Inspection Scheme (MWIS), owners are required to appoint a qualified person (“QP”) to inspect all windows of the buildings aged 10 years or above. Also, under the Mandatory Building Inspection Scheme (MBIS), owners of the buildings are required to appoint a registered inspector (“RI”) to inspect the common parts, external walls and projections or signboards of the buildings aged 30 years or above. Repair may be required after the inspection. QP and RI are also responsible for the supervision of the repair works. MBIS and MWIS are fully implemented since 30 June 2012. The two mandatory schemes led to the growth of RMAA works in private sector as it may be necessary for the owners of buildings to inspect and repair their buildings as required by the notices issued by Buildings Department.

### **Government’s initiative to tackle urban decay**

To cope with the problem of urban decay and to improve the living condition of residents in the dilapidated urban areas, the Hong Kong Government initiates to re-construct aging buildings, redevelop and improve environmental quality of old and run-down urban areas. For instance, the Government implemented a 20-year urban renewal programme in 2011 to re-construct and re-plan designated target areas. This strategy includes launching 225 reconstruction projects cover a total area of 67 hectares, consisting a redevelopment of some 2,000 dilapidated buildings, provision of about 90,000 square-meter of floor space for use as community or welfare facilities, and provision of seven new schools. Additionally, according to the Urban Renewal Authority, they have invested over HK\$40 billion on Kwun Tong and Ma Tau Kok projects, and some of the projects have been started. With all these Government’s initiative, it is expected that the demand for RMAA services, in Hong Kong will continue to increase.

### **10-year hospital development plan**

According to the 2016 policy address, the Hong Kong Government announced the funding of HK\$200 billion to be provided to the Hospital Authority for the implementation of the 10-year Hospital Development Plan, which increase the building construction projects in the near future. Moreover, part of the plan includes the redevelopment and expansion of the existing 11 hospitals, requiring about 1.3 million square-meters floor space of re-development. Since the re-development projects of existing hospitals demand alteration works, the Hospital Development Plan is expected to provide growth momentum to the RMAA works industry.



## INDUSTRY OVERVIEW

### **Redevelopment of Yau Tong in Hong Kong**

The RMAA works industry in Hong Kong is expected to be driven by the re-development of the Yau Tong industrial area and Yau Tong Bay, where the properties are owned by the major property developers. According to the “Cha Kwo Ling, Yau Tong, Lei Yue Mun Outline Zoning Plan”, Yau Tong will be rezoned into a “comprehensive development area” which includes residential buildings, commercial areas as well as community and supporting facilities, thus the existing buildings located in the Yau Tong industrial area will be gradually demolished, altered, and retrofitted starting 2018. With the large-scale re-development projects expected to take place in Yau Tong, there will be strong demand for RMAA works, which can bolster the industry.

### **THREATS**

#### **Labour shortage and cost**

Labour cost is one of the major costs of the construction industry in Hong Kong. The Hong Kong’s construction industry has been facing the issue of labour shortage and aging workforce. According to the Construction Industry Council, over 43.6% of construction workers, approximately 201,886 people are 50 years old or above up to 31 December 2017. With the lack of sufficient workers, especially those who are experienced and skilled, the probability of project delay in the industry will increase. Furthermore, to retain the experienced construction workers, contractors have started to pay higher wage. Such increase in labour cost have consistently pushed up the construction cost, which hinders the development of the superstructure building works and RMAA works industry in Hong Kong.

### **ENTRY BARRIERS**

#### **Lack of proven track record**

Sufficient experience and good reputation in the superstructure building works and RMAA works industry are critical and can only be accumulated through time. Acquiring relevant licenses and registration statuses are also prerequisites for tendering for public construction projects as well as RMAA works projects. In particular, bidder’s past experience and performance are generally assessed by the Government in the tender selection. Moreover, experienced specialists are often favored by property developers and other relevant parties, new entrants will therefore find it difficult to bid for tenders due to the lack of experience. With customers’ emphasis on contractor’s track record, new entrants may encounter difficulty in competing with existing players in the superstructure building works industry.

#### **Competitive advantages of the Group**

Please refer to the section headed “Business — Competitive strengths” in this prospectus for a detailed discussion of our Group’s competitive strengths.

## 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 Hong Kong laws which are relevant to our business.

### LAWS AND REGULATIONS IN RELATION TO THE CONTRACTOR LICENSING REGIME

#### General Building Contractor

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works. Currently there are five categories of works designated as specialised works which include demolition works, foundation works, ground investigation field works, and ventilation works. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered general building contractors may also carry out all types of minor works as stipulated in Part 2 of Schedule 1 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong). To facilitate the operation of the construction industry, certain general building works are permitted to be carried out by more than one category of contractors. Detailed guidelines are provided at Appendix G of Practice Note for Registered Contractors 38.

Set out below are the requirements to register as a general building contractor under the Buildings Department.

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

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plants and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following key personnel of the applicant:

- (a) minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as an ‘Authorised Signatory’;
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as a ‘Technical Director’ who is authorised by the board to:
  - (i) have access to plant and resources;

## REGULATORY OVERVIEW

- (ii) provide technical and financial support for the execution of building works and street works; and
  - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works — an ‘Other Officer’ authorised by the board of directors to assist the Technical Director.

The following table sets out, among others, requirements on the qualifications and experience of the key personnel for registered general building contractor imposed by the Building Authority:

<b>Key Personnel</b>	<b>Requirements on the key personnel</b>
Technical Director	Must have either: <ul style="list-style-type: none"><li>1. at least eight years of experience in managing a building contractor company or equivalent; or</li><li>2. a relevant university degree or equivalent qualification and three years’ local experience in building industry in Hong Kong.</li></ul>
Authorised Signatory	Must have: <ul style="list-style-type: none"><li>1. at least five years’ experience in building industry;</li><li>2. worked for not less than 18 months in local building project(s); and</li><li>3. at least a higher certificate, diploma or equivalent in the relevant field.</li></ul>

Registered contractors intending to add a new authorised signatory/technical director/other officer should submit their applications in a specified form together with the following documents and fees, as the case may be, to the Buildings Department for consideration:

- (a) supporting documents on the qualifications and experience of the proposed authorised signatory/technical director/other officer;
- (b) for a corporation, a statement on:
  - (i) the management structure and organisation chart of the company and its decision making mechanism for technical and financial matters; and

## REGULATORY OVERVIEW

- (ii) a resolution from the board of directors regarding the appointment of the authorised signatory/technical director/other officer of the company.
- (c) declarations in the Buildings Department standard forms which cover exhaustively the conviction, disciplinary and suspension records of the proposed authorised signatory/technical director/other officer;
- (d) documents relating to business registration; and
- (e) the prescribed fee (for authorised signatory only) in accordance with the Building (Administration) Regulation.

Unless the new authorised signatory/technical director/other officer has been previously accepted by the Buildings Department, the new authorised signatory and, when necessary, the new technical director/other officer will be required to attend a full-scope interview and will be assessed mainly on the following aspects:

- (a) the documents submitted by the applicant;
- (b) the adequacy of the management structure in respect of the role and duties of the authorised signatory/technical director/other officer;
- (c) the appropriate experience, qualifications and competence of the authorised signatory/technical director/other officer; and
- (d) the ability of the new authorised signatory to apply knowledge in the following aspects:
  - (i) the statutory role, function and duties of a registered general building contractor or a registered specialist contractor as the case may be in relation to the role and responsibilities of the Buildings Department in respect of private building developments in Hong Kong;
  - (ii) the objectives of the Buildings Ordinance and relevant regulations and the mechanism of control in respect of the execution and supervision of building works;
  - (iii) a general awareness of local conditions sufficient to enable him to practice in Hong Kong efficiently and effectively without having to make frequent enquiries on matters of common local knowledge;
  - (iv) a working knowledge and principles of the Buildings Ordinance and relevant regulations, relevant code of practice, practice notes, circular letters and other advisory information, the relevant requirements under other laws and regulations and the requirements of other authorities which exercise control over the carrying out of building works;
  - (v) the fundamental procedures that a registered contractor must follow in order to meeting local statutory requirements; and

## REGULATORY OVERVIEW

- (vi) adequate technical knowledge and practical experience in building construction to enable him to discharge his duties as a registered general building contractor or registered specialist contractor.

Prior notification to the Buildings Department is required if any of the accepted authorised signatory/technical director/other officer intend to resign from his duties or will cease to be appointed by the contractor. Retrospective notification to the Buildings Department will not be accepted. The registered contractor is required to suspend all the building works immediately if there is no authorised signatory appointed to act for the contractor for the purposes of the Buildings Ordinance or if there is no technical director acting for the contractor and an acceptable replacement is not appointed within a reasonable period of time.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Department outside the specified time limit under section 8C(2)(c) will not be accepted.

The registration of a contractor will continue to be in force if he makes an application for renewal within the time limit and pays the renewal fee until his application for renewal is finalised by the Buildings Department.

According to section 8C of the Buildings Ordinance, the Buildings Department may refuse an application for renewal of registration and remove the name of the applicant from the register if:

- (a) he is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or
- (b) the applicant fails to provide relevant information and documentary proof required by the Buildings Department including, but not limited to, updated information on matters supplied on previous applications for registration or renewal of registration.

As at the Latest Practicable Date, Head Fame, our principal operating subsidiary, is a registered general building contractor in the register of general building contractors kept by the Building Authority. The registration of Head Fame with the Building Authority as a registered general building contractor is not subject to any tender limit.

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

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

## **REGULATORY OVERVIEW**

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

- (a) an authorised person as the co-ordinator of such building works or street works;
- (b) a registered structural engineer for the structural elements of such building works or street works if so required under this Buildings Ordinance; and
- (c) a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under this Buildings Ordinance.

### **Regulatory actions against contractors by the Development Bureau**

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and employment of illegal works etc.

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions.

### **LAWS AND REGULATIONS IN RELATION TO LEVY**

#### **Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)**

According to section 32 of the Construction Industry Council Ordinance, a levy known as the "Construction Industry Levy" is to be assessed and paid by a contractor of any construction operations which are subject to the payment of a levy under this ordinance. Construction operations which do not have a total contract value in relation to construction operations of HK\$1,000,000 each are not liable to the levy. With effect from 30 July 2018, such levy threshold was increased to HK\$3,000,000 and the amendment of levy threshold will not be applied retrospectively to any construction operations which have commenced or been tendered before such effective date. A levy at the rate of 0.5% of the value of the construction operations concerned is to be imposed in respect of construction operations carried out in Hong Kong. The levy is payable by a contractor of any construction operations.

According to section 34, within 14 days after any construction operations have commenced, the contractor and the authorised person in respect of the construction operations shall each inform the Council, by a notice, that he is such contractor or authorised person.

## REGULATORY OVERVIEW

A notice shall be in a form specified by the Council and shall state the estimated total value of the construction operations. A notice is required to be given under this section only if:

- (a) the construction operations are carried out under a term contract; or
- (b) it is reasonably estimated that the total value of the construction operations exceeds HK\$3,000,000.

A person who, without reasonable excuse, fails to give a notice as required by this ordinance commits an offence and is liable on conviction to a fine at level 1.

According to section 46 of this ordinance, a contractor who is given a notice of assessment or a notice of surcharge shall pay to the Council the amount of the levy or surcharge specified in the notice given to him, within 28 days. If the amount of the levy or surcharge is not fully paid within 28 days, the contractor is liable to pay a penalty of 5% of the unpaid amount. If the amount of the levy or surcharge, including any penalty imposed, is not fully paid within three months after the expiry of 28 days, the contractor is liable to pay a further penalty of 5% of the unpaid amount. A penalty or further penalty is payable in addition to the levy or surcharge for the non-payment of which is imposed.

During the Track Record Period, we paid all the levies for those construction operations which have a total contract value exceeding HK\$1,000,000.

### **LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION LABOUR, HEALTH AND SAFETY**

As our Group provides superstructure building works services and RMAA works services as a main contractor in the construction industry, we are subject to the laws and regulations in relation to construction labor, 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

## REGULATORY OVERVIEW

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.

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

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

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

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

- providing and maintaining plant and work systems that 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 willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.



## REGULATORY OVERVIEW

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides since 1 May 2001 every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine of HK\$50,000.

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; (vii) provision of first aid facilities; and (viii) regular inspection of the scaffold by a competent person. Non-compliance with any of these rules commits 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.

In addition, under the Safety Management Regulation, any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months.

We have set up an occupational health and safety management system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. 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.

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:
  - maintenance of the workplace in a condition that is safe and without risks to health; and
  - provision and maintenance of 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

## REGULATORY OVERVIEW

- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

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

The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury to the employees. Failure to comply with an improvement notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and imprisonment of up to 12 months and failure to comply with a suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK\$500,000 and imprisonment of up to 12 months, and to a further fine of \$50,000 for each day or part of a day during which the employer knowingly and intentionally continues the non-compliance or contravention.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. 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.

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 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

According to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors' employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by

## REGULATORY OVERVIEW

the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor 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 this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

For our insurance coverage in this connection, please refer to the section headed "Business — Insurance — Employees' compensation insurance" in this prospectus. For the information of 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, please refer to the section headed "Business — Litigation and potential claims" in this prospectus.

### **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.

For information regarding the potential common law claims for personal injuries which were within the respective three-year periods and which might be brought against our Group as of the Latest Practicable Date, please refer to the section headed "Business — Litigation and potential claims" of this prospectus.

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

A principal contractor shall be subject to the provisions on sub-contractor'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 sub-contractor 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 sub-contractor 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 to (a) 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) the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

## REGULATORY OVERVIEW

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor 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 sub-contractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be. The principal contractor or superior sub-contractor who pays an employee any wages under section 43C of the Employment Ordinance may either (1) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor 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 sub-contractor in respect of the work that he has sub-contracted.

### **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 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.

### **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.

Please refer to the section headed "Business — Employees — Requirements under the Immigration Ordinance" in this prospectus for measures implemented by our Group for compliance with the aforesaid requirements under the Immigration Ordinance.

## REGULATORY OVERVIEW

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

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

### **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 (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

### **Industry 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.

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.

## **REGULATORY OVERVIEW**

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.

### **LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION**

We are subject to the following laws and regulations in connection with the environmental protection as our business activities of superstructure building works and RMAA works services as a contractor. For information regarding our environmental management system, please refer to the section headed “Business — Environmental protection” in this prospectus.

#### **Buildings Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong)**

The Buildings Energy Efficiency Ordinance sets out energy efficiency standard for building services installations such as electrical, lighting and air-conditioning in new buildings and existing buildings undergoing major retrofitting works. Major retrofitting works include, among other things, addition or replacement of a building services installation covering an internal floor area of not less than 500 square metres in a unit or a common area. The responsible person (e.g. owner, tenant or occupier, etc.) of a unit or a common area is required to engage a Registered Energy Assessor to certify that the replaced or additional building services installations of major retrofitting works comply with the latest edition of the Building Energy Code and obtain a Form of Compliance from a Registered Energy Assessor. Pursuant to the Buildings Energy Efficiency Ordinance, all commercial buildings in Hong Kong will be audited by registered energy assessors every ten years to ensure energy efficiency targets are met.

#### **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. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of a registered consultant.

## **REGULATORY OVERVIEW**

### **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) 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. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

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.

### **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, commercial, institutional and construction activities into public sewers, and public drain. For any industry/trade generating wastewater discharge (except domestic sewage or unpolluted water that are discharged into communal sewer or communal drain), they are subject to licensing control by the Director of the Environmental Protection Department.

All discharges, other than domestic sewage or unpolluted water to communal sewer or communal drain, must be covered by an effluent discharge licence. The licence specifies the permitted maximum allowable quantity and effluent standards 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.

## **REGULATORY OVERVIEW**

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

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

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

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

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 under sections 16, 16A and 16B of this Ordinance commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence and, 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.

### **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 if 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.



## REGULATORY OVERVIEW

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. Maximum penalty of section 127 as mentioned above is a fine at level 3 (currently HK\$10,000) upon conviction with a daily fine of HK\$200.

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

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

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

### **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 prior to their construction and operation (and decommissioning, if applicable), unless exempted.

Pursuant to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (iii) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for six months; (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in addition, if the offence is of a continuing nature, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

### OTHER LAWS AND REGULATIONS

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

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from superstructure building and RMAA works contracts in Hong Kong which were awarded to us on successful tenders. The Competition Ordinance may come into play as bid-rigging is one of the anti-competitive conducts caught by the First Conduct Rule under the Competition Ordinance.

The Competition Ordinance came into force on 14 December 2015. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

##### *First Conduct Rule*

The “First Conduct Rule” prohibits anti-competitive agreements, practices and decisions. It provides that an undertaking must not (i) make or give effect to an agreement; (ii) engage in a concerted practice; or (iii) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Serious anti-competitive conduct includes (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging.

##### *Second Conduct Rule*

The “Second Conduct Rule” prohibits the abuse of market power. It provides that an undertaking that has a substantial degree of market power in a market must not abuse such power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. This conduct may in particular, constitute an abuse of such market power if it involves predatory behavior towards competitors or limiting production, markets or technical development to the prejudice of consumers. Matters that may be taken into consideration when determining whether an undertaking has a substantial degree of market power in a market include (i) the market share of the undertaking; (ii) the undertaking’s power to make pricing and other decisions; and (iii) any barriers to entry to competitors into the relevant market.

The First Conduct Rule and the Second Conduct Rule apply to all sectors of the Hong Kong economy, including construction industry clients, contractors and subcontractors. Therefore, our Group is subject to Competition Ordinance generally.

##### *Merger Rule*

The “Merger Rule” prohibits anti-competitive mergers and acquisitions. At present, the Merger Rule only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

## REGULATORY OVERVIEW

### *Penalty*

In the event of contravention of a competition rule, the Competition Tribunal may (i) on application by the Competition Commission, impose pecuniary penalty of any amount it considers appropriate subject to a maximum of 10% of the turnover of the of the undertaking concerned for each year in which the contravention occurred for each single contravention (if the contravention occurred in more than three years, 10% of the turnover of the undertaking for the three years that saw the highest, second highest and third highest turnover); (ii) on application by the Competition Commission, make an order disqualifying a person from being a director of a company or from otherwise being concerned in the affairs of a company; (iii) make orders it considers appropriate, including but not limited to prohibiting an entity from making or giving effect to an agreement, requiring modification or termination of an agreement, requiring payment of damages to a person who has suffered loss or damage as a result of the contravention.

### **Proposed Security of Payment Legislation for the Construction Industry**

The Government has conducted a public consultation on the proposed security of payment legislation for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution. The Government will proceed with the legislative work with the aim of introducing the bill to the Legislative Council of Hong Kong in 2018/2019.

According to the results of the public consultation on the proposed SOPL released by the Legislative Council Panel on Development in April 2016, the following major issues are with positive support and broad directions:

- (a) For the scope of application, SOPL (i) shall apply to all construction works and consultancy contracts in the public sector entered into by the Government and 31 specified statutory and/or public bodies and corporations; (ii) shall apply to all subcontracts at all tiers irrespective of contract value where it applies to the main contract; and (iii) shall cover contracts for supply of materials or plant.
- (b) For the payment arrangement, (i) parties shall be free to agree when payments can be claimed and the basis of valuation work or services except that the duration for payment shall not exceed 60 calendar days for both interim and final payments; (ii) default payment terms will apply if the parties do not make express provisions in their contracts; and (iii) paying parties who fail to serve payment response within 30 calendar days of receipt of a payment claim which they are entitled to serve shall not be automatically liable to the full amount of the payment claim but will not be able to raise any set off against amounts properly due against the payment claim.
- (c) “Pay when paid” type contractual clauses shall be rendered ineffective even when the reason for non-payment is insolvency higher in the supply chain.

## **REGULATORY OVERVIEW**

- (d) For suspension on non-payment, unpaid parties (i) shall have the right to suspend or reduce progress of work; (ii) must give written notice of their intention to suspend to the non-paying parties and take reasonable steps to notify the site owner; and (iii) shall be entitled to costs and additional time in respect of delay and disruption arising from the suspension.
- (e) For dispute resolution, both parties shall have the right to refer payment-related disputes to adjudication and the time limit for commencing adjudication shall be within 28 calendar days of such dispute arises, whereas no time limit shall be imposed for commencing adjudication for disputes on time for performance or entitlement to extension of time for performance. The adjudicator shall publish its decision within 55 working days of appointment and such decision shall be enforced in the same way as court judgments.

The Government will further consider whether (i) the coverage in the private section should be limited to contracts for “new buildings” (as defined in the Buildings Ordinance) with original contract value exceeding HK\$5 million, including extension to repair, maintenance, alteration and addition works; (ii) SOPL shall cover oral, partly oral and written contracts; (iii) SOPL shall cover contracts for professional services; (iv) “pay when paid” clauses should be rendered ineffective in nominated subcontracts; and (v) whether parties should be entitled to refer disputes on time for performance or entitlement to extension of time for performance to adjudication.

It is probable that some of our contracts will be caught by the SOPL and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process, however, there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval. SOPL will ensure we get paid in a timely manner if it applies.

### **COMPLIANCE WITH THE RELEVANT REQUIREMENTS**

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

## HISTORY, DEVELOPMENT AND REORGANISATION

### OVERVIEW

The history of our Group can be traced back to October 1985 when Mr. KT Chan and Mr. KM Chan, our founders and executive Directors, recognised the growth potential of the construction market in Hong Kong and therefore acquired the entire issued share capital of Head Fame in equal share from independent third parties. Over the years, Head Fame, our principal operating subsidiary, has managed to become an established main contractor of the superstructure building works and RMAA works in Hong Kong.

Mr. Chan Yiu Dun (Mr. KT Chan's father) and Mr. Chan Yiu Hing (Mr. KM Chan's father) served as directors of Head Fame and were responsible for the daily business operations as well as monitoring the project implementations until they stepped down from their management role in 2004 and 2007, respectively.

Mr. KT Chan and Mr. KM Chan, our executive Directors and Controlling Shareholders, became directors of Head Fame on 22 April 2002 and 5 February 2001, respectively. Both of them have been managing our Group's operation for over 15 years and have been instrumental to the development of our Group. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details relating to their background and industry experience.

The following table outlines the key milestones in the history of our Group:

<b>Year</b>	<b>Event</b>
1985	Head Fame was established and commenced the business of provision of superstructure building works and RMAA services in Hong Kong  Head Fame was registered as a building contractor with the Building Authority
1999	Head Fame was registered as a general building contractor with the Building Authority
2007	Head Fame was awarded a superstructure project for a printing factory in Tseung Kwan O industrial estate (Phase I) with a contract value of approximately HK\$117.7 million
2009	Head Fame was awarded superstructure works for development of office building at Hoi Ping Road, Hong Kong with a contract value of approximately HK\$123.4 million. We consider that the complexity of work and unique design of the building is remarkable to our Group
2012	Head Fame was awarded a superstructure project for extension of the printing factory in Tseung Kwan O industrial estate (Phase II) with a final contract value of approximately HK\$92.6 million

## HISTORY, DEVELOPMENT AND REORGANISATION

<b>Year</b>	<b>Event</b>
2012	Head Fame was awarded an RMAA contract in Cheung Sha Wan to revitalise an old industrial building to office building with shops and restaurants with a final contract value of approximately HK\$97.2 million
2015	Head Fame was awarded a superstructure project for extension of the printing factory in Tseung Kwan O industrial estate (Phase III) by using structural steel building method, with a contract value of HK\$311.8 million
2015	Head Fame was awarded another RMAA contract in Cheung Sha Wan to revitalise an old industrial building to office building with shops and restaurants with a final contract value of approximately HK\$137.5 million
2017	Head Fame was awarded the ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 issued by Accredited Certification International Limited

### **CORPORATE HISTORY**

#### **Head Fame Company Limited**

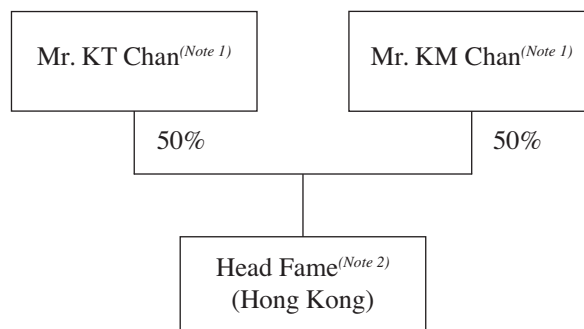
Head Fame, our wholly-owned and operating subsidiary which undertakes the business of superstructure building works and RMAA works as a main contractor, was incorporated in Hong Kong on 23 August 1985 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same date, one share and one share were allotted and issued to each of Bisca Limited and Cabsi Limited respectively, both independent third parties, which were subsequently transferred to each of Mr. KT Chan and Mr. KM Chan at a consideration of HK\$1 respectively on 17 October 1985. On the same date, Head Fame allotted and issued 249,999 shares to Mr. KT Chan at a consideration of HK\$249,999 and 249,999 shares to Mr. KM Chan at a consideration of HK\$249,999 respectively.

Upon completion of such allotment and prior to the completion of the Reorganisation as described in the paragraph headed “Reorganisation — (2) Transfer of shares of Head Fame to Century Success” in this section, Head Fame had been owned as to 50% by Mr. KT Chan and 50% by Mr. KM Chan and the acquisitions of shares of Head Fame were funded by their respective personal savings. Upon completion of the Reorganisation, Head Fame became an indirect wholly-owned subsidiary of our Company.

## HISTORY, DEVELOPMENT AND REORGANISATION

### REORGANISATION

The following diagram sets out the corporate structure of our Group during the Track Record Period and immediately before the Reorganisation:



*Notes:*

1. Mr. KT Chan and Mr. KM Chan were parties acting in concert with each other before the Reorganisation pursuant to the Acting in Concert Confirmation. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Acting in Concert Confirmation” in this prospectus.
2. Head Fame principally provides superstructure building and RMAA services as a main contractor in Hong Kong since 1985.

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group on 28 November 2017. The Reorganisation involved the following steps:

#### **(1) Incorporation of Shiny Golden and Century Success**

On 10 January 2017, Shiny Golden was incorporated in the BVI with liability limited by shares. At the date of incorporation, Shiny Golden was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On 7 March 2017, one ordinary share of par value US\$1.00 of Shiny Golden was allotted and issued as fully-paid to each of Mr. KT Chan and Mr. KM Chan, both at par value for cash consideration, pursuant to the articles of association of Shiny Golden. After completion of the Reorganisation, Shiny Golden became a Controlling Shareholder of our Company.

On 11 January 2017, Century Success was incorporated in the BVI with liability limited by shares. At the date of incorporation, Century Success was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On 7 March 2017, one ordinary share of par value US\$1.00 of Century Success was allotted and issued as fully-paid to each of Mr. KT Chan and Mr. KM Chan, both at par value for cash consideration, pursuant to the articles of association of Century Success. After completion of the Reorganisation, Century Success became a wholly-owned subsidiary of our Company.

## HISTORY, DEVELOPMENT AND REORGANISATION

### (2) Transfer of shares of Head Fame to Century Success

On 30 March 2017, Mr. KT Chan and Mr. KM Chan, as vendors, and Century Success, as purchaser, entered into a sale and purchase agreement, pursuant to which Century Success acquired 250,000 shares and 250,000 shares of Head Fame, representing all of its issued shares in aggregate, from Mr. KT Chan and Mr. KM Chan at a consideration of HK\$20,500,000 and HK\$20,500,000, respectively. The consideration was determined with reference to the net asset value of Head Fame as at 31 March 2016, which was satisfied by Century Success allotting and issuing 134 new ordinary shares and 134 new ordinary shares, all credited as fully-paid, to Mr. KT Chan and Mr. KM Chan, respectively. Upon the completion of the above allotment on 31 March 2017, Head Fame became a wholly-owned subsidiary of Century Success.

### (3) Pre-IPO Investments

On 21 April 2017, Century Success entered into two share subscription agreements with two Pre-IPO Investors, namely UG and Vibrant Sound, respectively, in respect of the subscription of new ordinary shares in Century Success by the two Pre-IPO Investors.

#### (a) Background on the Pre-IPO Investors

##### *UG*

UG is a company incorporated in the BVI with liability limited by shares on 10 April 2013. By virtue of the SFO, UG is deemed to be wholly owned by UG Capital Limited which in turn is wholly-owned by Mr. Lau Chi Yin Thomas (劉志賢) (“**Mr. Lau**”). For further details, please refer to the section headed “Substantial Shareholders” in this prospectus.

Mr. Lau has been the director of UG Capital Limited and UG since incorporation. He has been the responsible officer of Jolmo Capital Limited, a licensed corporation under the SFO, with main areas of business in advising on securities, advising on corporate finance and asset management, since March 2005. He has been serving as an independent non-executive director of Baguio Green Group Limited (stock code: 1397) since April 2014. Mr. Lau has been a Chartered Financial Analyst since September 2001. He is also a member of the Hong Kong Society of Financial Analysts.

UG is a private equity investor, which conducts private equity investment and holds interest in a fund which is located in Qianhai, Shenzhen, the PRC. Against the backdrop of Hong Kong’s economic recovery, the construction industry experienced significant growth due to Hong Kong government’s support and the rising demand for commercial and residential buildings as well as for infrastructure. UG has been interested in investing in construction companies. Mr. Lau, as a director of UG, was then looking for an opportunity to invest in construction companies when his investment partner was introduced to Mr. KT Chan and Mr. KM Chan by a mutual friend of theirs. Mr. Lau’s investment partner was fully briefed about the business, operation and financial conditions of our Group. In view of the good financial statements and concurrent growth potential, Mr. Lau through his beneficially wholly-owned company, UG, invested in our Group with the internal resources of UG.



## HISTORY, DEVELOPMENT AND REORGANISATION

To the best of the information and knowledge of our Directors, UG and its ultimate beneficial owner, Mr. Lau, are independent third parties and have no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

### *Vibrant Sound*

Vibrant Sound Limited is a company incorporated in the BVI with liability limited by shares on 4 January 2016, which is directly wholly-owned by Mr. Kwan Wai Ming (關偉明) (“**Mr. Kwan**”). Mr. Kwan has over 30 years of experience in the construction industry. He is the executive director of Huarong Investment Stock Corporation Limited (Stock Code: 2277) and its subsidiary, Chun Sing Engineering Company Limited (“**CS Engineering**”). CS Engineering provides foundations and substructure construction services. Mr. Kwan became acquainted with our Group when he was introduced to Mr. KT Chan by their mutual friend. In view of (i) the good growth potential and the attractive valuation; and (ii) the synergy effect by cross referral of business between CS Engineering and our Group, Mr. Kwan through his wholly-owned company, Vibrant Sound, invested in our Group with his personal savings.

To the best of the information and knowledge of our Directors, Vibrant Sound and its ultimate beneficial owner, Mr. Kwan, are independent third parties and have no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

### *(b) Investment of the Pre-IPO Investors in Century Success*

On 21 April 2017, Century Success entered into a subscription agreement with UG, pursuant to which UG subscribed for 20 new ordinary shares of par value US\$1.00 each in Century Success, representing 6.67% of the then enlarged issued capital of Century Success, at a consideration of HK\$10,000,000. The transaction was completed on the date of the Pre-IPO Share Subscription Agreement where payment for the subscription price was settled by cash and issue of the subscription shares of Century Success (“**Subscription Shares**”) was completed on the same day.

On 21 April 2017, Century Success entered into a subscription agreement with Vibrant Sound, pursuant to which Vibrant Sound subscribed for 10 new ordinary shares of par value US\$1.00 each in Century Success, representing 3.33% of the then enlarged issued capital of Century Success, at a consideration of HK\$5,000,000. The transaction was completed on the date of the Pre-IPO Share Subscription Agreement where payment for the subscription price was settled by cash and issue of the Subscription Shares was completed on the same day.

## HISTORY, DEVELOPMENT AND REORGANISATION

The consideration for the subscription of the shares in Century Success of HK\$10,000,000 and HK\$5,000,000 from UG and Vibrant Sound respectively was arrived at after arm's length negotiation and with reference to the price-to-earnings ratio of approximately 7.6 times and the net profit after tax for the year ended 31 March 2016 of approximately HK\$19.7 million of Head Fame.

Upon completion of the subscription, Century Success is owned as to 45% by Mr. KT Chan, as to 45% by Mr. KM Chan, as to 6.67% by UG and, as to 3.33% by Vibrant Sound.

<b>Name of the Pre-IPO Investors</b>	<b>UG</b>	<b>Vibrant Sound</b>
Date of the Pre-IPO Share Subscription Agreement	21 April 2017	21 April 2017
Consideration paid ( <i>Note 1</i> )	HK\$10,000,000	HK\$5,000,000
Basis of determination of consideration	Based on the price-to-earnings ratio of approximately 7.6 times and the net profit after tax of Head Fame for the year ended 31 March 2016 in the amount of approximately HK\$19.7 million	
Payment and completion date of the Pre-IPO Investment	21 April 2017	21 April 2017
Cost per Share paid under the Pre-IPO Investment ( <i>Note 2</i> )	HK\$0.25	HK\$0.25
Discount to the mid-point of the indicative Offer Price range (i.e., HK\$0.50 per Offer Share)	50%	50%
Use of proceeds from the Pre-IPO Investments	<p>The aggregate proceeds from the Pre-IPO Investments of HK\$15,000,000 shall be used as the general working capital and for paying the Listing expenses of our Group in connection with the Listing.</p> <p>As at the Latest Practicable Date, approximately HK\$8.2 million from the proceeds of Pre-IPO Investments had been utilised by our Company in paying the Listing expenses in connection with the Listing incurred so far.</p>	

## HISTORY, DEVELOPMENT AND REORGANISATION

<b>Name of the Pre-IPO Investors</b>	<b>UG</b>	<b>Vibrant Sound</b>
Strategic benefits of the Pre-IPO Investments	<p>Our Directors believe that the Pre-IPO Investments will enhance our cash-flow position and broaden our Shareholders' base, which in turn will benefit our Company and our Shareholders as a whole. Additionally, the Pre-IPO Investments demonstrate the Pre-IPO Investors' confidence in the operations of the Group and serve as endorsements of our Company's performance, strength and prospects.</p> <p>UG is expected to strengthen the management of our Group by closely monitoring our financial conditions and the utilisation of proceeds from Pre-IPO Investments.</p>	<p>Vibrant Sound is expected to bring in more business opportunities through Mr. Kwan's business connections and network.</p>
Shareholding in Century Success upon the completion of the Pre-IPO Investment	6.67%	3.33%
Approximate shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer	5%	2.5%
Lock-up period <i>(Note 3)</i>	Nil	Nil
Public float	<p>Given that (i) the shareholding of each Pre-IPO Investor in the Company upon Listing is less than 10%; (ii) each of the Pre-IPO Investors is solely a strategic investor in our Group; and (iii) each of them is an independent third party, the Shares held by the Pre-IPO Investors will be counted as part of the public float of our Company.</p>	

## HISTORY, DEVELOPMENT AND REORGANISATION

*Notes:*

1. On 28 March 2017, a deposit of HK\$5,000,000 was received from Vibrant Sound for the subscription of 10 shares in Century Success.
2. This is derived based on 40,000,000 Shares and 20,000,000 Shares to be held by UG and Vibrant Sound respectively upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme).
3. The terms of the Pre-IPO Share Subscription Agreements did not impose any lock-up obligations over the Shares held by the Pre-IPO Investors, except where requested by the Stock Exchange, if applicable.

*(c) Special right and obligations*

In view of the application for the Listing and if the Reorganisation takes place, each of the Pre-IPO Investors undertakes to Century Success that after completion of the respective Pre-IPO Investment, each of the Pre-IPO Investors shall (i) use its best endeavour to facilitate and complete the Reorganisation as requested by the Group from time to time; (ii) not transfer any of the Subscription Shares (or the shares in the Company) prior to Listing unless agreed in writing with Century Success, and comply with all the requirements under the Stock Exchange's Guidance Letter — Guidance on Pre-IPO Investments (HKEx-GL43-12) or any other applicable rules or guidance in relation to the Pre-IPO Investments as revised and implemented from time to time; (iii) not do or cause to do any act resulting in delay of the first submission of the first listing application form of the Listing or delay of trading of the shares of the Company on the Main Board; and (iv) use its best endeavour to comply with all necessary disclosure requirements as required by any applicable rules and/or laws in connection with the Listing.

Subject to the paragraph below, in the event that any of the Pre-IPO Investors fails to perform its obligations under the paragraph above after completion of the Pre-IPO Investments but prior to the Listing, Century Success shall be entitled to, but is not obliged to, demand for the buy-back of the Subscription Shares at the buy-back consideration equivalent to the respective subscription price of the Pre-IPO Investments (“**Divestment Right**”) and the relevant Pre-IPO Investor shall execute all the necessary documents to effect the transfer of all, but not in part, the Subscription Shares back to Century Success within five Business Days from the day Century Success giving the written demand to the relevant Pre-IPO Investor or one business day before the date of first filing of the application for Listing, whichever is earlier. Against the relevant Pre-IPO Investor's performance under this paragraph, Century Success shall repay all the sums received for payment of the respective subscription price of the Pre-IPO Investments without interest accrued thereon to the relevant Pre-IPO Investor. Each of the Pre-IPO Investors irrevocably and unconditionally appoints Century Success as its lawful attorney to act on its behalf in Century Success's sole and absolute discretion to sign all documents, instruments and deeds and to take all actions (including filing to any government authority) in connection with the transfer of the Subscription Shares back to Century Success as aforesaid.

For the avoidance of doubt, the Divestment Right had ceased to have effect one Business Day before the date of first filing of the application for Listing.

## HISTORY, DEVELOPMENT AND REORGANISATION

### *(d) Sponsor's confirmation*

Since the Pre-IPO Investments were unconditionally completed and the consideration for the Pre-IPO Investments was fully settled more than 28 clear days before the date of our Company's submission of the Listing application form to the Stock Exchange and all the rights granted to the Pre-IPO Investors under the Pre-IPO Share Subscription Agreements shall be terminated upon Listing, the Sponsor is of the view that the Pre-IPO Investments by UG and Vibrant Sound are in compliance with the "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and updated in March 2017 and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017.

### **(4) Incorporation of our Company**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 11 May 2017. On 13 June 2017, our Company was registered under Part 16 of the Companies Ordinance as a registered non-Hong Kong company and obtained the business registration certificate under the Business Registration Ordinance with date of commencement on 11 May 2017. It had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each.

On 11 May 2017, one nil-paid subscriber Share was allotted and issued to Reid Services Limited, the initial subscriber of our Company, which was subsequently transferred to Shiny Golden on the same date. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. Immediately following completion of the Reorganisation, our Company became the ultimate holding company of our Group.

### **(5) Transfer of shares of Century Success to our Company**

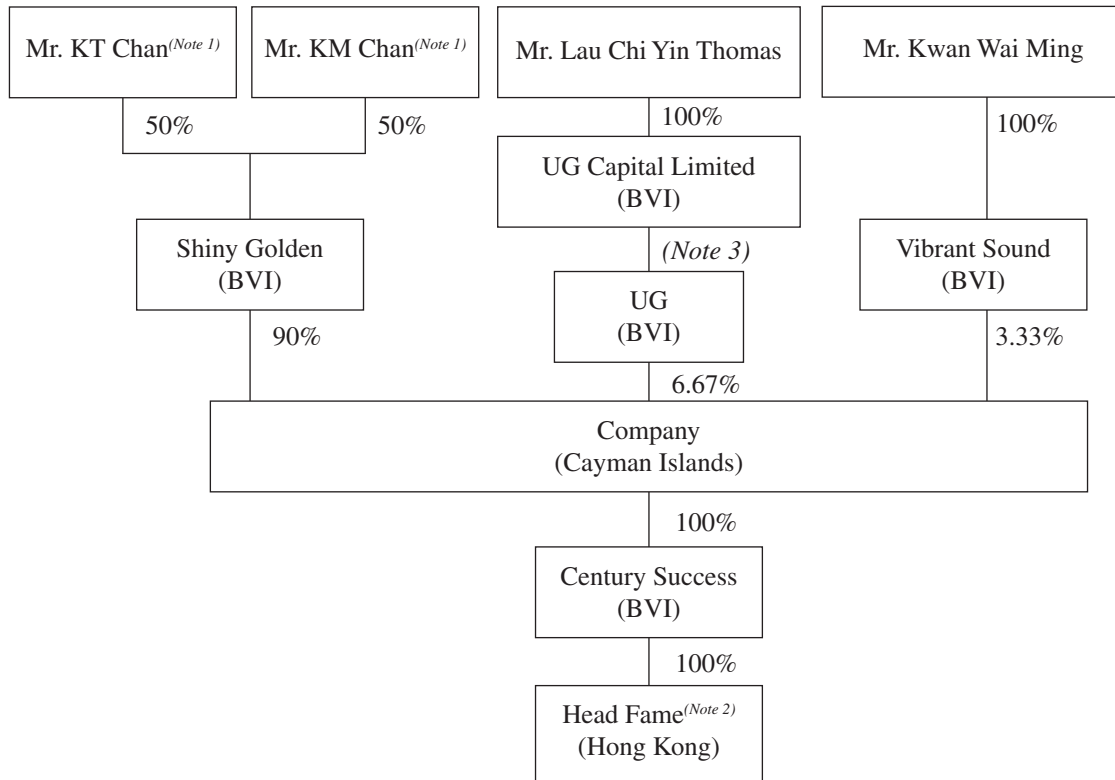
On 28 November 2017, Mr. KT Chan, Mr. KM Chan, UG and Vibrant Sound, as vendors, and our Company, as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired 135 ordinary shares, 135 ordinary shares, 20 ordinary shares and 10 ordinary shares of par value US\$1.00 each of Century Success, representing all of its issued shares in aggregate, from Mr. KT Chan, Mr. KM Chan, UG and Vibrant Sound, respectively, which was satisfied by our Company allotting and issuing 26,999 Shares, 2,000 Shares and 1,000 Shares, credited as fully-paid, to Shiny Golden (at the instructions of Mr. KT Chan and Mr. KM Chan), UG and Vibrant Sound, respectively, and crediting as fully paid the one nil-paid Share held by Shiny Golden. Upon completion of such allotment and crediting as fully paid of such nil-paid Share on 28 November 2017, Century Success became a wholly-owned subsidiary of our Company.

All steps of the Reorganisation mentioned above have been properly and legally completed. The Reorganisation was completed on 28 November 2017.

# HISTORY, DEVELOPMENT AND REORGANISATION

## GROUP STRUCTURE

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



*Notes:*

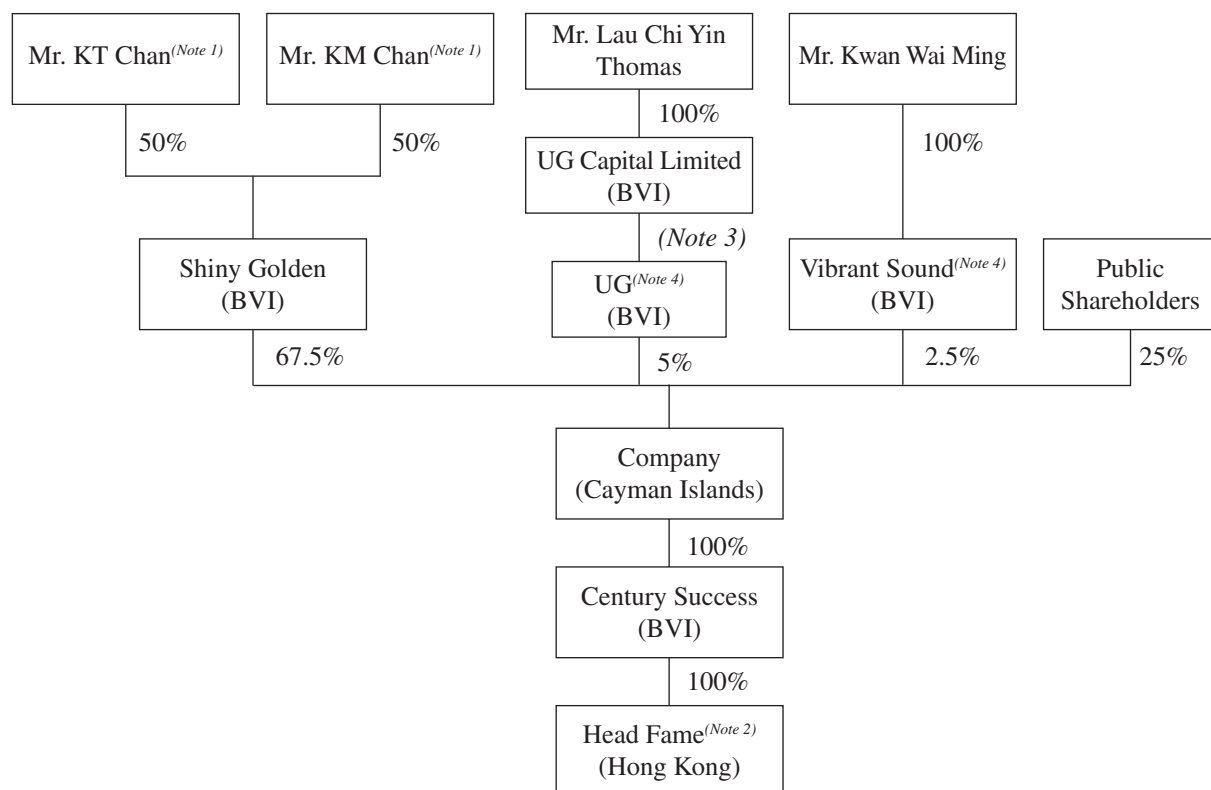
1. Mr. KT Chan and Mr. KM Chan are parties acting in concert with each other pursuant to the Acting in Concert Confirmation. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Acting in Concert Confirmation” in this prospectus.
2. Head Fame principally provides superstructure building and RMAA services as a main contractor in Hong Kong.
3. UG is legally owned as to one voting share by UG Capital Limited and 11,600 non-voting shares by other independent third parties. UG Capital Limited is the investment manager of UG. UG Capital Limited is deemed to be interested in all the Shares in which UG is interested by virtue of the SFO.

# HISTORY, DEVELOPMENT AND REORGANISATION

## CAPITALISATION ISSUE AND SHARE OFFER

Conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Share Offer, certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to its shareholders on the register of members or the principal share register of our Company at the close of business on 25 July 2018 in proportion to their respective shareholdings of our Company prior to the Share Offer, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute not more than 75% of the total issued share capital of our Company.

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme):



*Notes:*

1. Mr. KT Chan and Mr. KM Chan are parties acting in concert with each other pursuant to the Acting in Concert Confirmation. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Acting in Concert Confirmation” in this prospectus.
2. Head Fame principally provides superstructure building and RMAA works services as a main contractor in Hong Kong.
3. UG is legally owned as to one voting share by UG Capital Limited and 11,600 non-voting shares by other independent third parties. UG Capital Limited is the investment manager of UG. UG Capital Limited is deemed to be interested in all the Shares in which UG is interested by virtue of the SFO.
4. Given that (i) the shareholding of each Pre-IPO Investor in the Company upon Listing is less than 10%; (ii) each of the Pre-IPO Investors is solely a strategic investor in our Group; and (iii) each of them is an independent third party, the Shares held by the Pre-IPO Investors will be counted as part of the public float of our Company.

## BUSINESS

### OVERVIEW

We principally provide superstructure building and RMAA services as a main contractor in Hong Kong since 1985. Our superstructure building and RMAA works are principally undertaken by Head Fame, our key operating subsidiary.

Superstructure building works refer to building works in relation to the parts of the structure above the ground level and the scope of our superstructure building works projects consists of development and redevelopment projects for residential and commercial buildings. RMAA works refer to alteration and addition works to an existing building such as structural alteration, building maintenance, refurbishment, modification, installation of hardware and equipment, removal of partitions and doors, construction of staircase and other works that improve the general condition of buildings and their facilities, repairing structures, constructing supporting frames for windows and air conditioner and projecting signboards and erecting drainage. The following table sets forth the breakdown of our revenue by types of works during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Superstructure building works	214,261	66.3	343,455	92.4	420,705	93.8
RMAA works	<u>109,114</u>	<u>33.7</u>	<u>28,243</u>	<u>7.6</u>	<u>27,851</u>	<u>6.2</u>
Total:	<u><u>323,375</u></u>	<u><u>100.0</u></u>	<u><u>371,698</u></u>	<u><u>100.0</u></u>	<u><u>448,556</u></u>	<u><u>100.0</u></u>

For all of our contracts, we act as a main contractor and delegate works to our subcontractors under close supervision and management by our project management team to ensure their conformity to customers' requirements and that projects are completed on time and within budget.

During the Track Record Period and up to the Latest Practicable Date, we completed 27 contracts with an aggregate contract sum of approximately HK\$992.4 million, comprising four superstructure building contracts and 23 RMAA works contracts. As at the Latest Practicable Date, we had seven contracts on hand comprising four superstructure building contracts (including one superstructure building contract with a contract sum of approximately HK\$146.3 million in relation to the construction of residential and commercial composite building at Kowloon City which has commenced in November 2016, one superstructure building contract with a contract sum of approximately HK\$202.4 million in relation to an industrial redevelopment project at Tai Kok Tsui, Kowloon, which has commenced in July 2017, one superstructure building contract with a contract sum of approximately HK\$111.8 million in relation to a residential development project at Kai Tak Road, Kowloon, which has commenced in September 2017 and one superstructure building contract with a contract sum of approximately HK\$156.8 million in relation to a redevelopment project at Connaught Road West, Hong Kong) and three RMAA works contracts, with a total awarded original contract sum of approximately HK\$742.0 million, of which approximately HK\$237.2 million has been recognised during the Track Record Period. Our contracts had a total outstanding contract sum (i.e. the total awarded original contract sum minus the corresponding revenue recognised in the previous financial periods) of approximately HK\$308.7 million as at the Latest Practicable Date. Our total revenue during the Track Record Period is



## BUSINESS

approximately HK\$1,143.6 million, of which approximately HK\$879.5 million was derived from our completed projects and approximately HK\$237.2 million was derived from our contracts on hand.<sup>(Note 1)</sup> Based on our Director's estimation, approximately HK\$458.2 million is expected to be recognised as revenue from our contracts on hand for the years ending 31 March 2019 and 2020<sup>(Note 2)</sup>. The amount of revenue expected to be recognised are subject to change due to the actual progress and commencement and completion dates of our contracts. Further details of our contracts are set out in the paragraph headed "Our Business Model and our Contracts" in this section.

During the Track Record Period, we provided services to private sector customers including private property developers and commercial enterprises which require superstructure building and/or RMAA works services. Most of our contracts are related to residential and commercial development and redevelopment projects in Hong Kong.

The following table sets forth the breakdown of our revenue by residential and commercial projects during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Commercial	128,109	39.6	293,928	79.1	328,286	73.2
Residential	<u>195,266</u>	<u>60.4</u>	<u>77,770</u>	<u>20.9</u>	<u>120,270</u>	<u>26.8</u>
Total:	<u><u>323,375</u></u>	<u><u>100.0</u></u>	<u><u>371,698</u></u>	<u><u>100.0</u></u>	<u><u>448,556</u></u>	<u><u>100.0</u></u>

Although there was a change in revenue contribution from residential projects to commercial projects as described above during the Track Record Period, our Directors consider that there is no change in our business strategies that would have an impact on our operations and financial results for the following reasons:

- (i) As a registered general building contractor since 1999, it is invariably our business strategy to pursue business opportunities and compete for profitable superstructure and RMAA projects for which we have the requisite licence, qualifications, operational experience and knowledge.
- (ii) Although the revenue attributable to commercial projects only accounted for 39.6% of our revenue for the year ended 31 March 2016, commercial project has long been part of our project portfolio and we have undertaken commercial projects since 1986. It has always been our business strategy to bid for commercial projects (including both superstructure works and

*Notes:*

1. Our contracts are regarded as practically completed as evidenced by the practical completion certificates issued by architects. Nevertheless, during the Track Record Period, we continued to recognise revenue from some contracts practically completed prior to the Track Record Period and such revenue was included in our revenue during the Track Record Period. As such, our total revenue during the Track Record Period may differ from the revenue recognised from our completed contracts and contracts on hand during the Track Record Period.
2. Since the contract sum of our contract is based on the initial agreement between our customer and us and may not include additions or modifications due to subsequent variation orders, the final revenue recognised from our contracts may differ from the aggregate contract sum.

## BUSINESS

RMAA works), subject to our capacity, resources level, cost effectiveness, complexity of the projects and customers' requirements at the relevant time as well as the profitability of the project concerned.

- (iii) As a matter of fact, we have a solid track record of undertaking commercial building projects as a main contractor. For instance, in March 2007, we had undertaken a commercial project relating to construction of factory building at Tseung Kwan O for a contract sum of approximately HK\$117.7 million which was completed in October 2007. In October 2012, we were awarded another contract from the same customer for construction of a factory extension of the same commercial development at Tseung Kwan O for a contract sum of HK\$62.0 million (project TKO2) which was completed in January 2014. Our Directors believe as the customer has been satisfied with our service quality over the years, in October 2015, we were awarded the third contract from the same customer for construction of a factory extension of the same commercial development at Tseung Kwan O for a contract sum of HK\$311.8 million (project TKO3) from which a substantial portion of our revenue was derived for the year ended 31 March 2017.
- (iv) Hence, commercial project has always been one of our core expertise. In view of the growth driver for increasing number of commercial building projects (details of which are set out in the section headed "Industry Overview — Market drivers and opportunities" in this prospectus), our Directors consider that it is in the interest of our Group to capture the business opportunities emerging from such industry trend. Leveraging on our years of experience in commercial projects, we have developed sufficient experience, knowledge and manpower resources to undertake commercial building projects of higher contract sum and larger operational scale.
- (v) Our Directors consider that it is not uncommon for superstructure building contractor to have a single project which has a relatively large contract sum and the duration of our superstructure building contracts generally lasts for one year to three years. As such, a single superstructure building project may easily account for a substantial portion of revenue contribution in a financial year.

Our Directors consider that we are well-positioned to compete for commercial building projects which represent a logical direction for our business development and there is no change in our business strategies that would impact on our Group's operations and financial results.

For the three years ended 31 March 2018, revenue derived from our five largest customers amounted to approximately 98.3%, 97.4% and 93.9%, respectively, of our total revenue. The percentage of our revenue attributable to our largest customer amounted to approximately 36.9%, 63.3% and 35.7% respectively, for the same periods. We have maintained a stable relationship with our five largest customers (in terms of revenue) who have maintained business relationship with us for a period ranging from approximately one to 15 years. For further information regarding our customers, please refer to the paragraph headed "Customers" in this section.

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According to the Ipsos Report, the estimated revenue of the building construction works in Hong Kong will grow from approximately HK\$136.1 billion in 2018 to approximately HK\$154.8 billion in 2022, at a CAGR of around 3.3%, whereas the estimated revenue of the RMAA works in Hong Kong will grow from approximately HK\$68.2 billion in 2018 to approximately HK\$69.7 billion in 2022, at a CAGR of around 0.5%. In view of the growth drivers such as the Government's policy to increase land supply and housing supply, increasing number of residential and commercial development projects and the Government's policy for urban renewal, our Directors believe that there will be more opportunities for our superstructure building and RMAA works businesses in the private sector. Riding on our operational resources, experience and licence and qualification, our Directors believe that we are well-positioned to capture the growing demand for superstructure building and RMAA works services in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry Overview — Market driver and opportunities" in this prospectus.

### COMPETITIVE STRENGTHS

Our success can be attributed to the following competitive strengths which differentiate us from our competitors in the Hong Kong superstructure building industry and RMAA works industry:

#### **Well established presence and proven track record in the superstructure building works industry and RMAA works industry in Hong Kong**

We are an experienced main contractor focusing on superstructure building works and RMAA works in Hong Kong. We have continuously strengthened our capability to capture business opportunities and expanding our project portfolio. During the Track Record Period and up to the Latest Practicable Date, we have completed 27 contracts comprising four superstructure building and 23 RMAA works contracts in Hong Kong. As at the Latest Practicable Date, we had seven contracts on hand comprising four superstructure building contracts and three RMAA works contracts, details of which are set out in the paragraph headed "Our business model and our contracts — Our contracts — Contracts on hand" in this section. In addition, we are registered as a general building contractor with the Buildings Department. Over the years, we have established ourselves as a dedicated contractor in the superstructure building and RMAA works industry consistently achieving customer satisfaction, quality of work and cost control which in turn enables our Group to gain confidence from our customers. We believe we have a good reputation and well-established presence in the Hong Kong superstructure building and RMAA works industry which is crucial to our future business development.

#### **Experienced and professional management team**

Our management team has extensive industry knowledge and project experience in the superstructure building and RMAA works industry. Mr. KT Chan and Mr. KM Chan, our executive Directors and our Controlling Shareholders, have over 32 years of experience in the construction industry in Hong Kong. In particular, Mr. KT Chan is currently a director of the Hong Kong General Building Contractors Association Limited and a Council Member of the Eighth Committee in the Hong Kong General Building Contractors Association. Their experience and extensive knowledge of the superstructure building industry and RMAA industry in Hong Kong enable our Group to understand market dynamism and industry practice for superstructure building works and RMAA works. We have established close relationships with our customers, suppliers and subcontractors which enhance our market profile and enable us to attract more potential business opportunities. For details of the qualification and experience of our Directors and senior management, please refer to the section headed

## BUSINESS

“Directors and Senior Management” in this prospectus. Their qualifications and experience facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Our Directors believe that the combination of our management team’s expertise and industry knowledge have been and will continue to be our Group’s valuable assets and strive our Group towards greater success.

### **Stable relationship with our major customers, suppliers and subcontractors**

We have established a stable customer base within the private sector. Our customers in the private sector include private property developers and commercial enterprises which require superstructure building and/or RMAA works services. Throughout our operating history, we have established stable relationship with our major customers. Our relationship with our five largest customers (in terms of revenue during the Track Record Period) ranges from one to 15 years. We believe that the established working relationships with our major customers have enhanced our market recognition and enabled us to attract more business opportunities.

We also maintain good relationship with architect firms or project management consultants which are often engaged by our end customers to manage and supervise the contracts. In doing so, we use our best endeavours to carry out our works professionally, such as replying to their queries promptly and co-operating with the architect firms or project management consultants during project execution. We believe the accumulation of successful experience with them has gained their trust to be included in their preference list and thus warrants their subsequent referral of projects to us.

We have established long-term and close working relationships with our major suppliers and subcontractors, some of which have working relationships with our Group for 10 years. The performance of subcontractors and quality of superstructure building and RMAA works contracted by our Group can be assured by our close relationship with our subcontractors.

### **Our commitment to maintain high safety standard, quality control and environmental protection**

We place considerable emphasis to maintain safety standard and quality control as they can directly affect our reputation, our service quality and our profitability. They are also among our customers’ key assessment criteria in selecting contractors. Our management system was certified to be in accordance with the standard required under ISO 9001:2015 (quality management), ISO 14001:2015 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). Our Directors believe that our effective occupational health, safety and environment management systems as well as good compliance track record would help reduce our exposure to these claims and improve our overall service quality and profitability.

## BUSINESS

### BUSINESS STRATEGIES

Our principal business objective is to further solidify our market position as an established superstructure building and RMAA works contractor in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by pursuing the following key strategies:

#### **Continue to expand our market share and compete for more superstructure building and RMAA works contracts**

For superstructure building and RMAA works projects in Hong Kong, it is not uncommon for customers to require contractors to take out surety bonds by a bank or an authorised insurer in the amount of certain percentage (usually up to 10%) of the contract sum to their customers to ensure a contractor's due performance and observance of a contract. The aggregate number and size of contracts that we are able to undertake in our business is directly linked to, among others, the amount of our available working capital. The surety bond requirement may result in the lock-up of a portion of our capital during the term of the surety bond and therefore affects our liquidity position. Our Directors believe that the net proceeds from the Share Offer will strengthen our available financial resources, thereby allowing us to undertake more contracts by applying a portion of the proceeds for satisfying the surety bonds requirements of our customers and potential customers. Furthermore, we normally incur net cash outflows at an early stage of carrying out a project to cover a variety of upfront costs and expenses including insurance expenses, costs of construction materials, subcontracting changes, staff costs, machinery rental and other site set-up costs. Such costs and expenses will further be increased if we undertake more contracts in the future. As such, we plan to utilise approximately HK\$47.7 million of the proceeds from the Share Offer to meet the surety bonds requirements of the contracts we have secured or plan to secure. We also plan to utilise HK\$7.9 million of the net proceeds from the Share Offer to finance the upfront costs and working capital requirements associated with undertaking a contract awarded to us. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

#### **Further strengthening our manpower**

We consider that a team of strong workforce equipped with appropriate knowledge and experience is crucial to our continuing success. To ensure that we have sufficient manpower for the contracts we plan to secure and enhance our overall project implementation capability and tender success rate, we plan to utilise approximately HK\$4.2 million of the net proceeds from the Share Offer to hire six staff by the year ending 31 March 2019, including one project manager, one site foreman, one safety supervisor, two site workers and one quantity surveyor. Please refer to the section headed "Future Plans and Use of Proceeds" of this prospectus for further details.

In addition, we also intend to provide more training to our existing and newly recruited staff on occupational health and safety. Such training courses would include internal training as well as courses organised by external parties and training institutions.

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### **Adherence to prudent financial management to ensure sustainable growth and capital sufficiency**

We will continue to maintain a prudent financial management strategy in our business operations. Our Directors believe that a prudent financial management in capital commitment could provide reasonable return for shareholders steadily while ensuring our continued growth in the long term. We will continue to adopt a prudent treasury management policy to (i) ensure that our funds are properly and efficiently collected and deployed such that there is no material shortfall in cash which may interrupt our Group's daily business obligations; (ii) maintain sufficient level of funds to settle our liabilities when they fall due; (iii) maintain adequate liquidity to cover our operation cash flow, project expenditures and administrative expenses; and (iv) streamline our operational processes to achieve savings in construction-related costs, maintenance and other operating costs.

Our Directors believe that by expanding our scale of operation as mentioned above, we will be able to (i) efficiently manage our projects on hand and newly awarded projects; (ii) participate in larger superstructure building and RMAA works contracts; (iii) maintain adequate liquidity to cover our operating cash flow, project expenditures and administrative expenses; and (iv) streamline our operational processes to achieve costs savings, maintenance and other operating costs, which is of utmost importance to our Group's competitiveness and ongoing business development. Leveraging our proven track record, our reputation, solid experience in superstructure building and RMAA works contracts over the Track Record Period and our prudent financial management, our Directors are of the view that we are well positioned to capture the emerging business opportunities for superstructure building and RMAA works contracts in the future.

As at the Latest Practicable Date, we have not identified any target for acquisition and do not have any acquisition plan.

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.

### **DESCRIPTION OF OUR WORKS**

We undertake superstructure building works and RMAA works, details of which are set out below:

#### **Superstructure building works**

Superstructure building works refer to building works in relation to the parts of the structure above the ground level and the scope of our superstructure building works contracts mostly consists of development projects for residential and commercial buildings.

During the Track Record Period, the principal types of superstructure works undertaken by us, including but not limited to:

- underground works including drainage and building services ducting and pits constructing
- soil filling with well compaction to receive falseworks
- grade ground slab construction after completing underground drainage works
- structural concrete construction for superstructure on typical floor

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- both internal and external finishing works undertaken during the structural concrete construction
- roofing works including top roof and flat roofs construction after structural concrete works
- installation of window wall, curtain wall and glass railing after obtaining the approval and consent from the Building Department after completing structural concrete work
- installation of building services works

During the Track Record Period, we provide superstructure building works service as a main contractor and mainly serve private property developers and commercial enterprises for construction of residential and commercial properties. The duration of our superstructure building contracts normally lasts for one year to three years.

### **RMAA works**

RMAA works refer to alteration and addition works to an existing building including structural alteration, building maintenance, refurbishment, modification, installation of hardware and equipment, removal of partitions and doors, construction of staircase and other works that improve the general condition of buildings and their facilities repairing structures, constructing supporting frames for windows and air conditioner, projecting signboards and erecting drainage, etc.. The duration of our RMAA works contracts normally lasts for 1.5 months to 1.5 years.

During the Track Record Period, the principal types of RMAA works performed by us, including but not limited to:

- demolition works carried out by specialist demolition contractor
- demolition of both internal and external existing finishes
- structural concrete works construction according to the structural drawings and architectural drawings
- internal finishes works to be carried out after taking down of any existing finishes
- works on exterior façade and aluminium windows to be carried out after obtaining the approval and consent from the Buildings Department after completing external demolition works
- roofing works including construction of top roof and flat roofs after structural concrete works
- installation of building services works

During the Track Record Period, we provide RMAA works services as a main contractor and mainly serve private property developers and commercial enterprises for construction of residential and commercial properties. During the Track Record Period, we completed RMAA works contracts with a total contract sum of approximately HK\$168.2 million, including the conversion of an industrial building to commercial office building in Cheung Sha Wan and other fitting out, renovation and restoration works. The duration of our RMAA works contracts normally lasts for 1.5 months to 1.5 years.

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### OUR BUSINESS MODEL AND OUR CONTRACTS

During the Track Record Period, the awarded contract sum for our major superstructure building and RMAA works contracts ranged from approximately HK\$23.1 million to approximately HK\$311.8 million. Our business is principally carried out by Head Fame, our key operating subsidiary. The following table sets forth the breakdown of our revenue by type of works during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Superstructure building works	214,261	66.3	343,455	92.4	420,705	93.8
RMAA works	<u>109,114</u>	<u>33.7</u>	<u>28,243</u>	<u>7.6</u>	<u>27,851</u>	<u>6.2</u>
Total:	<u><u>323,375</u></u>	<u><u>100.0</u></u>	<u><u>371,698</u></u>	<u><u>100.0</u></u>	<u><u>448,556</u></u>	<u><u>100.0</u></u>

For all of our contracts, we act as a main contractor in Hong Kong to ensure their conformity to customers' requirements and that contract are completed on time and within budget. We delegated works to our subcontractors under close supervision and management by our project management team.

During the Track Record Period, all of our revenue was derived from private sector customers. Capitalising on our track record experience and our qualifications, we are able to directly enter into contracts with the private sector customers in Hong Kong which include private property developers and commercial enterprises seeking superstructure building and/or RMAA works services.

### Our Contracts

The following table sets out the number of contracts that have been awarded to our Group during the Track Record Period and the corresponding aggregate amount of original contract sum in respect of such contracts:

	<b>For the year ended 31 March</b>			<b>From</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>1 April 2018</b>
				<b>to the Latest</b>
				<b>Practicable</b>
				<b>Date</b>
Number of contracts awarded <i>(Note 1)</i>	<u><u>6</u></u>	<u><u>11</u></u>	<u><u>9</u></u>	<u><u>4</u></u>
Corresponding aggregate amount of original contract sum in respect of such contracts <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<u><u>312,705</u></u>	<u><u>371,424</u></u>	<u><u>342,169</u></u>	<u><u>281,488</u></u>



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*Notes:*

1. Number of contracts awarded for each financial year includes all contracts with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted or quotation was requested during the same financial year.
2. Such amount excludes any subsequent changes due to variation orders (see the paragraph headed “Customers — Major terms of engagement with our customers — Variation orders” below in this section) or contract price adjustments (see the paragraph headed “Customers — Major terms of engagement with our customers” below in this section).

### Backlog

Set out below is the table showing the movement of backlog of our projects by original contract sum during the Track Record Period and as at the Latest Practicable Date:

	<b>Number of contracts</b>	<b>Contract sum<sup>(Note)</sup> HK\$'000</b>
<b><i>As at 31 March 2015</i></b>		
Existing contracts	4	426,631
<b><i>During the financial year ended 31 March 2016</i></b>		
Contracts completed	6	(193,863)
New contracts awarded	6	<u>312,705</u>
<b><i>As at 31 March 2016</i></b>		
Existing contracts	4	545,473
<b><i>During the financial year ended 31 March 2017</i></b>		
Contracts completed	12	(237,916)
New contracts awarded	11	<u>371,424</u>
<b><i>As at 31 March 2017</i></b>		
Existing contracts	3	678,981
<b><i>During the financial year ended 31 March 2018</i></b>		
Contracts completed	7	(558,983)
New contracts awarded	9	<u>342,169</u>

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	<b>Number of contracts</b>	<b>Contract sum<sup>(Note)</sup> HK\$'000</b>
<b><i>As at 31 March 2018</i></b>		
Existing contracts	5	462,167
<b><i>From 1 April 2018 to the Latest Practicable Date</i></b>		
Contracts completed	2	(1,653)
New contracts awarded	4	281,488
<b><i>As at the Latest Practicable Date</i></b>		
Existing contracts	7	742,002

*Note:* The contract sum is based on the initial agreement between our customers and us and may not include additions, modifications due to subsequent variation orders, such that final revenue recognised from a contract may differ from the contract sum.

The following table sets out the movement of backlog of our contracts by outstanding contract sum (i.e. the total award original contract sum minus the corresponding revenue recognised in the previous financial periods) during the Track Record Period and up to the Latest Practicable Date:

	<b>For the year ended 31 March</b>			<b>From 1 April 2018 to the Latest Practicable Date</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Date</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	294,333	304,602	310,299	203,912
Awarded contract sum of new projects <sup>(Note 1)</sup>	312,705	371,424	342,169	281,488
Revenue recognised <sup>(Note 2)</sup>	(302,436)	(365,727)	(448,556)	(176,711)
Ending value of backlog <sup>(Note 3)</sup>	304,602	310,299	203,912	308,689

*Notes:*

1. The awarded contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum.
2. The revenue recognised for each year of the Track Record Period represents the audited revenue recognised for each of the three years ended 31 March 2018, and the revenue recognised for the period from 1 April 2018 up to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).
3. Ending value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to our contracts as at the end of the relevant year or period indicated.

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### Completed contracts

During the Track Record Period and up to the Latest Practicable Date, we completed 27 contracts with a total contract sum of approximately HK\$992.4 million comprising four superstructure building contracts and 23 RMAA works contracts. The following table sets out a list of our contracts completed during the Track Record Period and up to the Latest Practicable Date:

Project code	Particulars and location of the projects	Sector of Customer	Works segment	Approximate contract duration		Awarded contract sum (Notes 1 and 5) HK\$'000	Revenue	Estimated
				From	To		recognised during each year of the Track Record Period HK\$'000	revenue to be recognised during each financial year going forward HK\$'000
AGS	Superstructure works for residential redevelopment at Mong Kok	Private	Superstructure	September 2013	November 2015	193,052	FY2016: 119,385 FY2017: 2,243 FY2018: 2,607 (Note 2)	FY2019: 416 (Note 4)
CSS	Conversion of industrial building to commercial office building at Cheung Sha Wan	Private	RMAA	April 2015	June 2016	135,983	FY2016: 108,352 FY2017: 23,391 FY2018: — (Note 2)	FY2019: —
KCS	Construction of residential and commercial composite building at Jordan	Private	Superstructure	April 2015	September 2016	96,880	FY2016: 55,303 FY2017: 52,146 FY2018: 803 (Note 3)	FY2019: —
TKO3	Construction of factory extension building at Tseung Kwan O	Private	Superstructure	October 2015	August 2017	311,800	FY2016: 18,683 FY2017: 235,335 FY2018: 37,466 (Note 2)	FY2019: 976 (Note 4)
LMR	Industrial redevelopment project at Tsuen Wan	Private	Superstructure	November 2016	February 2018	220,853	FY2016: — FY2017: 30,350 FY2018: 160,068 (Note 2)	FY2019: 7,824 (Note 4)
D2T	A&A works at Cheung Shun Street, Kowloon	Private	RMAA	August 2017	February 2018	23,107	FY2016: — FY2017: — FY2018: 23,454 (Note 3)	FY2019: —
						Sub-total:	981,675 FY2016: 301,723 FY2017: 343,465 FY2018: 224,398	FY2019: 9,216
	21 RMAA works contracts with contract sum of less than HK\$5 million					10,740	FY2016: 713 FY2017: 4,852 FY2018: 4,397	FY2019: 279
						<b>Total:</b>	<b>992,415</b> <b>879,548</b>	<b>9,495</b>

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*Notes:*

1. The contract sum is based on the initial agreement between our customer and us and does not include additions and modifications due to subsequent variation orders, such that the final revenue recognised from a contract may differ from the contract sum.
2. The contract value is greater than the amount of revenue recognised during the Track Record Period because (i) a portion of the revenue has been recognised before the Track Record Period; (ii) due to the change of customer requirement or working schedule subsequent to the entering of the initial agreement between our customer and us, variation orders were placed by our customer with respect to different aspects of our contracted works including but not limited to the change of quality of the construction materials to be used, reduction of dimension of works and/or cancellation of works which reduce our revenue to be recognised in a contract; or (iii) the actual amount of work done under the contract is lower than initially envisaged under the contract.
3. The contract value is lower than the amount of revenue recognised during the Track Record Period because of the additional variation orders placed by our customer, or the actual amount of work done under the contract is higher than initially envisaged under the contract.
4. These contracts are regarded as practically completed as evidenced by the practical completion certificates issued by architects. Despite the issue of the practical completion certificates, we continued to recognise revenue because of the additional variation orders placed by the relevant customers.
5. Variation orders placed by our customers during the Track Record Period contributed to an increase of approximately HK\$23.7 million and HK\$24.0 million in FY2016 and FY2018, respectively, and a reduction of approximately HK\$29.4 million in FY2017, in relation to the contract sum of our completed contracts.

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### Contracts on hand

As at the Latest Practicable Date, we had a total of seven contracts on hand as a main contractor. The following table sets out a list of our projects on hand as at the Latest Practicable Date:

Project Code	Particulars and location of the projects	Sector of customer	Type of works	Project commencement date	Expected project completion date <sup>(Note 1)</sup>	Awarded contract value (Notes 2 and 3) HK\$'000	Revenue recognised during each year of the Track Record Period HK\$'000	Estimated revenue to be recognised during each financial year going forward HK\$'000
FLTR	Construction of residential and commercial composite building at Kowloon City	Private	Superstructure	November 2016	August 2018	146,328	FY2016: — FY2017: 17,410 FY2018: 87,985	FY2019: 34,660 FY2020: —
BFR	Industrial redevelopment project at Tai Kok Tsui, Kowloon	Private	Superstructure	July 2017	September 2018	202,358	FY2016: — FY2017: — FY2018: 103,530	FY2019: 101,584 FY2020: —
KTR	Residential development project at Kai Tak Road, Kowloon	Private	Superstructure	September 2017	December 2018	111,828	FY2016: — FY2017: — FY2018: 28,246	FY2019: 74,974 FY2020: —
JFR	A&A works for Commercial Development at No. 297-305 Jaffe Road, Hong Kong	Private	RMAA	April 2018	May 2019	118,410	FY2016: — FY2017: — FY2018: —	FY2019: 111,378 FY2020: 5,032
JFRS	A&A works for commercial development at No. 535 Jaffe Road, Hong Kong	Private	RMAA	June 2018	September 2018	5,700	FY2016: — FY2017: — FY2018: —	FY2019: 5,700 FY2020: —
B (also known as project CRW)	Redevelopment project at 48-51 Connaught Road West, Sheung Wan	Private	Superstructure	October 2018	May 2020	156,800	FY2016: — FY2017: — FY2018: —	FY2019: 45,589 FY2020: 78,697
	One RMAA works contract with contract sum of less than HK\$5 million					578	FY2016: — FY2017: — FY2018: —	FY2019: 578 FY2020: —
					Sub-total:		FY2016: — FY2017: 17,410 FY2018: 219,761	FY2019: 374,463 FY2020: 83,729
					Total:	<u>742,002</u>	<u>237,171</u>	<u>458,192</u>

#### Notes:

- The expected completion date for a particular contract is provided based on our management's best estimation. In making the estimation, our management takes into account factors including 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.
- The contract sum is based on the initial agreement between our customer and us and do not include additions or modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the contract sum.
- Variation orders placed by our customers during the Track Record Period resulted in a reduction of approximately 4.0 million and 18.6 million in FY2017 and FY2018, respectively, in relation to the contract sum of our contracts on hand.

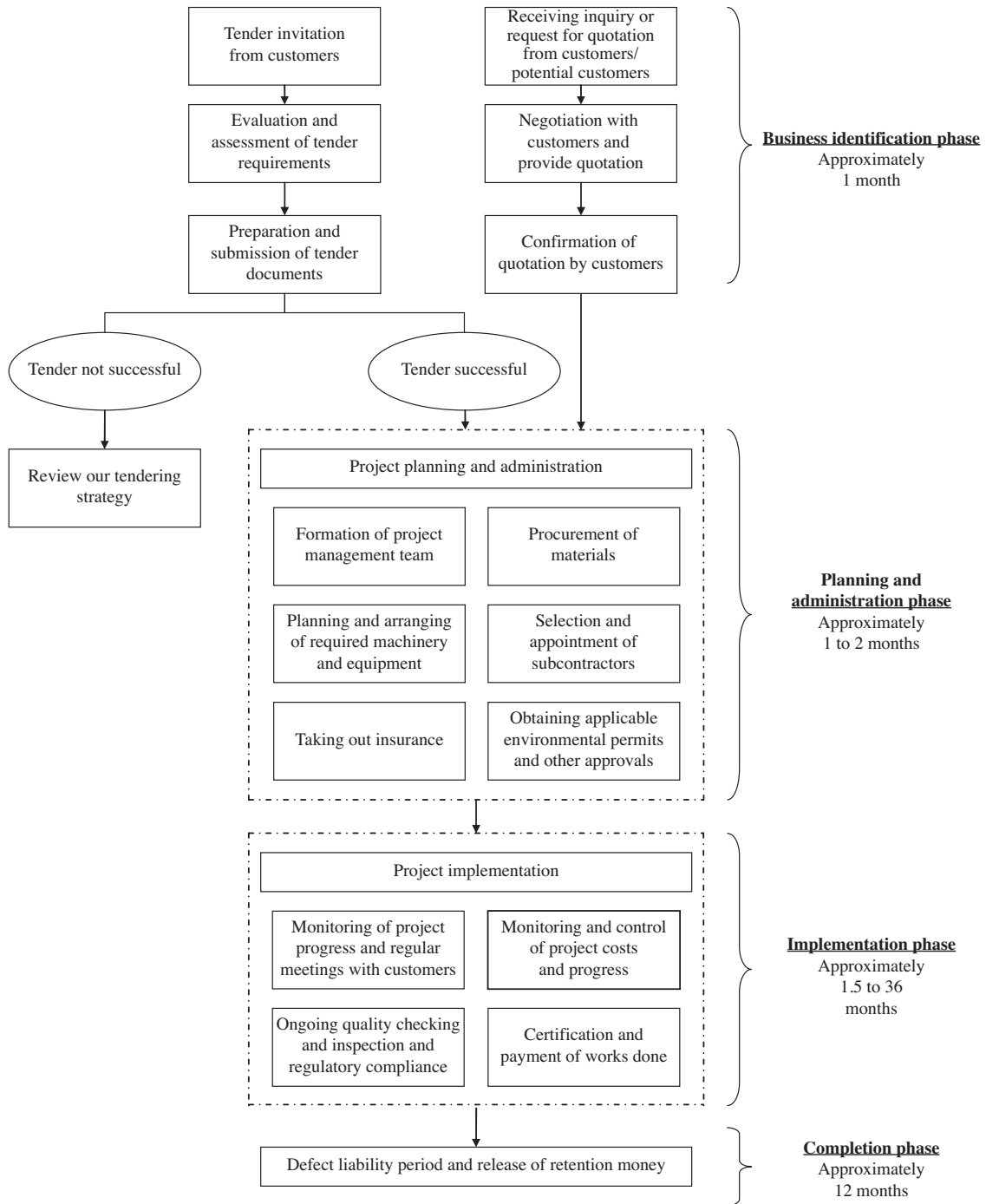
### OPERATION FLOW

The customer base, requisite technical expertise and relevant regulatory licenses and qualifications relating to superstructure building works and RMAA works may be different. Nevertheless, since the two categories of works share essentially the same nature of construction projects, the relevant project

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workflows and our procedures for project execution for such businesses are substantially the same. We essentially focus on project management of works contracts. The actual works undertaken by us and the duration of works may vary according to the nature of the works contracts.

The following diagram summarises the principal steps of our operation flow:



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

**Business identification phase**

*Tender invitation or quotation request*

Our ultimate employers (such as private property developers or their professional consultants) typically maintain their lists of approved contractors and will send them letters to invite for tender or pre-qualification or letters to express interest for tender. They may sometimes require their approved contractors to make pre-qualification submissions to assess their qualification and eligibility to submit tenders. Apart from such invitations, we also identify private sector projects through our management's connections in the construction industry or notices of open tenders from the market. Letters of invitation or express of interest for tender and open tender documents normally include brief description of the works required, contact details of the office (from which forms of tender and further particulars of the projects may be obtained) and the closing time and date of the tender.

We maintain good relationship with architect firms or project management consultants which are often engaged by our end customers to manage and supervise the superstructure building and RMAA works contractors. In doing so, we use our endeavours to carry out our works professionally, such as replying to queries promptly and co-operating with the architect firms or project management consultants in their desired work programme. We believe the accumulation of successful experience with them has gained their trust to be included in their preference list and thus warrants their subsequent referral of projects to us.

From time to time, we are approached by customers which request for quotations for providing RMAA services without going through a competitive tendering process. For the three years ended 31 March 2018, our revenue recognised from RMAA works contracts as a result of quotation acceptance amounted to 0.3%, 1.1% and 1.1% of our total revenue, respectively.

*Evaluation and assessment of tender and quotations*

Our tendering team is led by Mr. KT Chan and Mr. KM Chan, our executive Directors, whose background and experience are set out in the section headed "Directors and Senior Management" in this prospectus. Mr. KT Chan and Mr. KM Chan are responsible for reviewing and evaluating tender documents and preparing tender submissions. Generally, we review and evaluate the commercial viability of potential projects based on factors including the scope, complexity, technicality and particular specifications of the projects, site conditions, achievability of the specified timetable, prior experience, availability of machinery, human resources and expertise, prevailing market conditions, estimated costs of the project and our current competitiveness and financial conditions. When we decide that a potential project is commercially viable, our tendering team will proceed to prepare the tender proposal.

*Preparation and submission of tender documents*

Any quotation, expression of interest for tender, or tender submission is only prepared after we have carried out a thorough analysis of the work to be undertaken. This includes assessing conditions of the site, obtaining suppliers' quotations for cost of raw materials, allocating labour and management resources, and scheduling of machinery and equipment. On some occasions, our project managers or engineers will also visit the site at which the project is to be undertaken in order to conduct a better assessment on the complexity of the work to be involved. Subject to the conditions of the site, we may

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consider specific factors including (a) the conditions of the structures adjacent to the site; (b) the nature of the locality of the site; and (c) whether there are any potential difficulties in carrying out the work, such as the size and landscape of the site restricting the accessibility of required machinery. All these factors may increase our project cost.

### *Tender price and pricing policy*

Mr. KT Chan and Mr. KM Chan, our executive Directors, play active roles in the tender review procedure. They are responsible for reviewing tender documents, formulating bidding strategies and ensuring that bids are both competitive and profitable. Based on the experience of our executive Directors and senior management, we will consider the potential difficulty and risk factors in estimating the total cost of each project. We will then determine the tender price based on our estimated project costs (which mainly include direct labour costs, subcontracting fees and construction material costs) plus a mark-up margin at the time when we submit our tender or our initial proposal to our potential customer. Depending on the complexity or scale of the project, sometimes we may obtain quotations from our subcontractors prior to submitting a tender proposal and reflect the estimated construction material costs and subcontracting fees in our tender price.

Upon finalising the bill of quantities and other documents required for tender submission, our Group will submit the tender documents to the potential customers. After submitting tender, we may be required to answer queries or invited to attend interviews with the potential customers to clarify certain aspects of our submitted tender, demonstrate our understanding on the project, and discuss availability of our resources and our estimated project costs. We will follow up with the potential customers on their requirements and details of our tender.

### *Tender success rate*

The following table summarises our overall tender success rate for each of the three years ended 31 March 2018:

	For the year ended 31 March		
	2016	2017	2018
Number of tender invitation received	12	25	23
Number of tenders submitted	9	20	21
Number of tenders won	1	3	4
Success rate (%)	11.1	15.0	19.0

*Note:* Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.



### **Planning and administration phase**

Generally, once our tender proposal is accepted by our customer, a letter of award or letter of acceptance will be issued to us by our customer which forms part of the tender contract. We will commence the implementation of the project which includes formation of a project management team, procurement of materials, planning and arranging the required equipment to be delivered to the site and selection and appointment of subcontractors.

#### *Formation of project management team*

Our project management team generally comprises the following key members: project manager, site agent, site foreman, quantity surveyor, safety officer and safety supervisor. Set out below are the main responsibilities of each key member in a project team:

- Our project manager is mainly responsible for supervising our overall workforce on site, monitoring work efficiency and performance of site workers, communicating with our customers, subcontractors and other members of the project team on the project status, allocation of resources in a project, reviewing the progress reports, weekly safety reports and site daily records.
- Our site agent is responsible for assisting our project manager to supervise and monitor work progress on site, supervising workmanship and quality and preparing site daily records setting out the works performed by our workers and subcontractors.
- Our site foreman assists our site agent to coordinate and supervise site workers for day-to-day site operations. Our foreman is responsible for assisting our site agent to supervise and provide guidance to site workers carrying out day-to-day inspection and coordinating site operations.
- Our quantity surveyor is responsible for inspecting the work progress on site and preparing payment application. Our quantity surveyor is also required to update our project manager with the latest certified progress from our customers.
- Our safety officer and safety supervisor are responsible for supervising implementation of site safety measures and monitoring day-to-day occupational health and safety compliance.

#### *Procurement of materials*

As a main contractor, we are generally responsible for the procurement of major construction material for the project, such as concrete and reinforcement steel. Our subcontractors are responsible for procurement of other construction materials required for them to complete their works. For further details, please refer to the paragraph headed “Suppliers” in this section below.

Furthermore, our subcontractors are normally required to equip themselves with the necessary machinery for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Our subcontractors are also required under the subcontracting agreement to ensure that all machinery used complied with the relevant statutory safety requirements and the subcontractors are fully liable for all personal injuries and penalties due to the breach of the statutory safety requirements.

*Selection and appointment of subcontractors*

During the Track Record Period, we acted as a main contractor in all of our projects. Our Group subcontracts various parts of the project by trade to our subcontractors in Hong Kong in order to minimise the number of employees employed directly by our Group, increase labour mobility and bring about cost efficiency. The works we subcontract to our subcontractors are generally labour intensive or require specific skill sets, such as curtain wall system installation, electricity appliance installation, plumbing and drainage installation, fitting-out works, fire engineering service, steel structure engineering service, electrical and mechanical service and decoration works. Our Group will provide the other materials or labour (as the case may be) to the subcontractors to enable them to carry out the works delegated. Furthermore, in some projects, certain works which required specific skill sets including curtain wall installation, lifts and escalators installation and electrical and mechanical works, required to be carried out by the subcontractors nominated by our customers.

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

**Implementation phase**

*Monitoring of project progress and regular progress meetings with customers*

We believe that our quality of work and reputation are crucial to winning future tenders and securing future business opportunities. As such, we place strong emphasis on quality control of our work to ensure that our work meets with or exceeds the required standards. Our project management team holds regular meetings with our customers and our subcontractors to review the progress of the project and to resolve any problems which may arise. Daily progress reports, contractor reports and site photos are submitted to our customers during such meetings, if required. Upon completion of our work, various tests will be performed to confirm that the specified standards have been met. For further details, please refer to the paragraph headed “Quality Control” in this section below.

Under the usual terms of our works contracts, variation by executing additional or modification works may be ordered by our customers. Any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work.

*Monitoring and control of project costs and progress*

Our results of operations are impacted in part by our ability to control project costs within our budget, which, however, will be dependent on a number of factors including but not limited to the scope and complexity of the projects, site conditions, project time frame, estimated construction material costs and labour cost. Some of these factors are beyond the control of our Group. We may also be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. Please refer to the section headed “Risk Factors — Risks relating to our business — We

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make estimation of our project costs in our tenders and any failure to accurately estimate the costs involved and/or delay in completion of any project may lead to cost overruns or even result in losses” in this prospectus for further details. In response to the above-mentioned risks in our operations, we implement certain cost-control measures. Our contracts manager will prepare a budget plan for each construction project. The budget plan will be reviewed and approved by our executive Directors taking account of the following factors:

- scope and complexity of the construction works to be carried out
- duration of the construction contract
- quotation obtained from our suppliers and subcontractors, taking into account future inflation and escalation in prices
- the resources of our Group, such as manpower, to be allocated to the project.

The budget plan for each of our projects will be reviewed and monitored with actual incurred costs by our contracts manager and any material deviation from the estimated budget will be highlighted in the reports prepared by our contracts manager. Such reports will then be submitted to our executive Directors for their further review so as to determine possible follow-up actions for cost control purpose and will be kept by our project team as the reference for preparing budget plans for our projects undertaken in the future.

During the Track Record Period, two of our projects namely project TSR and project CD2 were loss-making with a total loss of approximately HK\$2.4 million due to additional work done on the ratification of defects. Project TSR recorded a gross loss mainly due to additional costs incurred for ratification of defects in relation to fire services, electrical installation and plumbing works due to the inappropriate adoption of design plan. Project CD2 recorded a gross loss mainly due to additional transportation cost incurred for lifting the steel and construction materials to the construction site for the ratification of defects. In addition, we encountered material project delays on two of our projects for the year ended 31 March 2016 and 2017, in which a total amount of around HK\$8.5 million had been paid by us as the liquidated damages during the Track Record Period. In project YSS, the delay was due to several additional work requirements by our customer and delay in public power connection, while in project PES, the work progress was delayed by the continuing bad weather in Hong Kong over the relevant period. Our Directors consider that the above delay was not caused by our subcontractors so we did not seek recovery of liquidated damages from them. On the other hand, in project AGS, the delay was caused by the subcontractors which were nominated by our customer. Please refer to the section headed “Financial Information” for further details. Although we may recover such liquidated damages the relevant subcontractors pursuant to the indemnity clause of the subcontracting agreement, our Directors consider that it may not be appropriate to seek indemnity from these subcontractors in order to maintain a long-term relationship with them. We therefore have endeavoured to enhance our internal measures to avoid or minimise the possibility or recurrence of similar incidents in the future.

In response to the project delays and defects, we have implemented the following quality control measures in order to minimise the possibility and recurrence of project delays and defects in the future:

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- (i) our project team will closely monitor the progress and quality of each project on a daily basis. In case of delays or defects, our project manager and site manager will communicate (including regular meetings, telephone discussion and email) and discuss directly with the relevant subcontractors in order to rectify the delay/defects as soon as practicable. For instance, (a) a list of follow-up items for rectification purpose will be provided to the relevant subcontractors and (b) warnings would be issued to the relevant subcontractor if they fail to rectify the delay or defect within the prescribed time limit; and
- (ii) if the relevant subcontractors continue to fail to rectify relevant delay/defects on time, our project manager will report the same to our Directors and we may engage another subcontractor to rectify the defects without further delay. Any subsequent costs involved in rectifying the defects may be recovered from the subcontractors who caused such defects.

In addition, in order to further mitigate the risk of delay in completing our projects and monitor the costs incurred for work performed (including the work undertaken by subcontractors), we have reinforced our internal control measures during project implementation phase. We hold regular (bi-weekly), and if necessary ad-hoc, progress meeting internally and with customers and subcontractors or their representatives. Project management team and executive Directors are notified of the latest progress update and whenever construction progress does not meet the planned timeline. The project management team is also required to:

- (i) review method statements to identify any material deficiency which causes the slow progress or deviation in the actual activities and then propose amendments or corrective action;
- (ii) rearrange labour and reallocate resources such as machinery and materials to speed up the progress; or
- (iii) strengthen communication with our customers and subcontractors and will obtain written confirmation on any customer's verbal instruction before commencing substantial additional construction works to facilitate measurement of value of work done and minimise chance of future dispute.

The above reinforced internal control measures have been implemented since May 2017 and those measures have been regularly reviewed by our Directors and modified if necessary. Subsequent to the implementation of the above reinforced internal control measures, we encountered another project delay in project FLTR for the year ended 31 March 2018 and incurred liquidated damages of approximately HK\$2.3 million in the same year. To the best of our Directors' knowledge, information and belief, such delay was caused by a lift installation subcontractor (a subcontractor nominated by our customer). Such delay occurred despite repeated warning and queries by our project management team pursuant to our reinforced internal control measures. We also understand that the architect appointed by our customer has warned the relevant subcontractor that they may be required to bear that relevant costs and damages arising from such delay. Notwithstanding the above, since the final amount of liquidated damages resulting from such delay and the allocation of liabilities arising from such delay were still under the final assessment by the relevant architect and customer as at the Latest Practicable Date, we have made provision for the potential liquidated damages in the amount of approximately HK\$2.3 million in our financial statement for the year ended 31 March 2018.

**Views of our Directors and the Sponsor**

Our Directors consider that the recurrence of (a) project delay for project FLTR as mentioned above and (b) non-compliances with the Construction Sites (Safety) Regulations as set out in the paragraph headed “Business — Non-compliance” below in this section do not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and that our Directors have competency, integrity and willingness to manage our Group’s business in a law-abiding manner, on the following grounds:

- (i) such project delay and non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors;
- (ii) as advised by our Internal Control Consultant, upon follow-up review conducted after the recurrence of the abovementioned incidents, such project delay and non-compliance incidents were not due to any material deficiencies in our internal control system;
- (iii) in view of such project delay and non-compliance incidents, we had issued warning letters to the relevant subcontractors who had failed to follow our instructions in relation to the project progress and those who had failed to follow our in-house safety rules and led to such non-compliance incidents; and
- (iv) to further enhance our internal control system and to reduce the risk of recurrence of non-compliances, we have engaged an independent safety consultant in June 2018 to provide safety consultant services including but not limited to advising us on enhancement of the safety awareness of our workers (including our employees and subcontractors).

In view of the above, our Directors believe, and the Sponsor concurs, that the enhanced internal control measures implemented by our Group are adequate and effective to ensure a proper internal control system for monitoring project progress and avoiding non-compliance incidents.

*Certification and payment of works done*

Our Group’s contracts normally require our customers to make progress payments on a monthly basis. Our application for progress payments is normally made on a monthly basis. Based on the works performed by us in the preceding month, we submit to our customers interim payment applications which generally include details of completed works, the actual quantities of our work done, variation orders (if any) and the cost of the materials delivered on a monthly basis. Once our Group has submitted a monthly interim payment application, the consultant or architect appointed by our customer will inspect our work done, confirm completion of the relevant work done and eventually certify the amount of work done with reference to the bill of quantities in the contracts and approve our payment application. A payment certificate will generally be issued to us 30 days after we submitted the monthly interim payment application and our customers generally settle our progress payment within 30 days after the issue of the payment certificate.

## **Completion phase**

### *Practical completion and release of retention money*

In general, there is a contract term for the customer to hold up retention money from the progress payment. Retention money is normally 5% to 10% of the value of work done, subject to a maximum rate of 5% of the total contract value. Upon satisfactory completion of the contract, a practical completion certificate will be issued by the architect. The terms and conditions on release of retention money also vary from contract to contract, which may be subject to completion of contract works or a pre-agreed time period after completion of the contract works. As at 31 March 2018, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$25.4 million. We expect that all such retention money will be released according to the respective contracts and work done. Furthermore, the amount of retention money held by our Group from subcontractors is normally 5% to 10% of the monthly payment and subject to a mutually agreed cap (which is normally 5% of the total subcontract sum). As at 31 March 2018, the aggregate retention money payable to our subcontractors and held by us amounted to approximately HK\$25.2 million.

### *Rectification and defects liability period*

Our customers would normally require a defects liability period, during which we are responsible for rectifying any construction defects. The defects liability period usually lasts for 12 months. Under the usual terms of our contracts, we are liable to rectify all defective works (if any) during the defects liability period. During the Track Record Period, we did not experience any material claim by our customers in respect of any defective works, and have not made provision for any repair and maintenance cost in respect of defective works during the defects liability period.

## **CUSTOMERS**

### **Characteristics of our customers**

During the Track Record Period, our customers are all from the private sector. Our customers in private sector include private property developers and commercial enterprises which require superstructure building and/or RMAA works services. Most of our projects are related to residential and commercial development and redevelopment projects in Hong Kong.

For information regarding our customers in respect of our projects undertaken during the Track Record Period, please refer to the paragraph headed “Our business model and our contracts” in this section.

## BUSINESS

### Major customers

For the three years ended 31 March 2018, the percentage of our total revenue attributable to our largest customer amounted to approximately 36.9%, 63.3% and 35.7%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 98.3%, 97.4% and 93.9%, respectively.

Set out below is a breakdown of our revenue by our five largest customers during the Track Record Period and their respective background information:

For the year ended 31 March 2016:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer A	A private property developer	Superstructure Building works	3	Within 30 days from the issue of payment certificate; By cheque	119,385	36.9
2.	Customer B (Note 1)	A private property developer	RMAA works	2	Within 30 days from the issue of payment certificate; By cheque	108,818	33.7
3.	Customer C (Note 2)	Property developer, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange, which is mainly engaged in property development, property investment and hospitality operations, distribution of construction and interior decorative materials and educational products	Superstructure Building works	2	Within 30 days from the issue of payment certificate; By cheque	55,303	17.1

## BUSINESS

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
4.	Sing Tao News Corporation Limited	A company listed on the Main Board of the Stock Exchange, mainly engaged in media-related operation including newspapers, magazines and other media-related business	Superstructure Building works	10	Within 30 days from the issue of payment certificate; By cheque	19,059	5.9
5.	Trump Elegant Investment Ltd.	Property developer, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange, which is mainly engaged in property investments, property development, investment in securities and loan financing	Superstructure Building works	15	Within 30 days from the issue of payment certificate; By cheque	15,250	4.7
					Five largest customers combined	317,815	98.3
					All other customers	5,560	1.7
					Total revenue	<u>323,375</u>	<u>100.0</u>



## BUSINESS

For the year ended 31 March 2017:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Sing Tao News Corporation Limited	A company listed on the Main Board of the Stock Exchange, mainly engaged in media-related operation including newspapers, magazines and other media-related business	Superstructure building works	10	Within 30 days from the issue of payment certificate; By cheque	235,335	63.3
2.	Customer C (Note 2)	Property developer, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange, which is mainly engaged in property development, property investment and hospitality operations, distribution of construction and interior decorative materials and educational products	Superstructure building works	2	Within 30 days from the issue of payment certificate; By cheque	52,146	14.0
3.	Customer D	A wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange, mainly engaged in providing electronic supply chain services in the greater china region	Superstructure building works	1	Within 30 days from the issue of payment certificate; By cheque	30,350	8.2
4.	Customer B (Note 1)	A private property developer	RMAA works	2	Within 30 days from the issue of payment certificate; By cheque	26,798	7.2
5.	Tak Wah Investment Ltd.	A private property developer	Superstructure building works	1	Within 30 days from the issue of payment certificate; By cheque	17,410	4.7
Five largest customers combined						362,039	97.4
All other customers						<u>9,659</u>	<u>2.6</u>
Total revenue						<u><u>371,698</u></u>	<u><u>100.0</u></u>

## BUSINESS

For the year ended 31 March 2018:

Rank	Customer	Principal business activities	Type of works undertaken by us	Year(s) of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						HK\$'000	%
1.	Customer D	A wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange, mainly engaged in providing electronic supply chain services in the greater china region	Superstructure building works	1	Within 30 days from the issue of payment certificate; By cheque	160,068	35.7
2.	Customer C (Note 2)	Property developer, a wholly owned subsidiary of a company listed on the Main Board of the Stock Exchange, which is mainly engaged in property development, property investment and hospitality operations, distribution of construction and interior decorative materials and educated products	Superstructure building works	2	Within 30 days from the issue of payment certificate; By cheque	104,333	23.3
3.	Tak Wah Investment Ltd.	A private property developer	Superstructure building works	1	Within 30 days from the issue of payment certificate; By cheque	87,985	19.6
4.	Sing Tao News Corporation Limited (Note 3)	A company listed on the Main Board of the Stock Exchange, which is mainly engaged in media-related operation including newspaper, magazines and other media-related business in Hong Kong	Superstructure building works	10	Within 30 days from the issue of payment certificate; By cheque	40,298	9.0
5.	MT Sisters Limited	A private property developer	Superstructure building works	1	Within 30 days from the issue of payment certificate; By cheque	28,246	6.3
Five largest customers combined						420,930	93.9
All other customers						27,626	6.1
Total revenue						<u>448,556</u>	<u>100.0</u>

## BUSINESS

*Notes:*

1. Customer B and another customer are both subsidiaries of a company listed on the Main Board of the Stock Exchange. For the three years ended 31 March 2018, the aggregate amount of revenue derived from Customer B and such another customer accounted for approximately 33.7%, 7.2% and 5.4% of our total revenue, respectively.
2. Customer C and another customer are both subsidiaries of a company listed on the Main Board of the Stock Exchange. For the three years ended 31 March 2018, the aggregate amount of revenue derived from Customer C and such another customer accounted for approximately 17.1%, 14.0% and 23.3% of our total revenue, respectively.
3. During the year ended 31 March 2018, our Group derived revenue from two private companies which were under the same management of Sing Tao News Corporation Limited.

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

### **Customer concentration**

For the three years ended 31 March 2018, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 98.3%, 97.4% and 93.9% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 36.9%, 63.3% and 35.7% respectively for the same periods. Our customer concentration is due to the following factors:

- (i) *Nature of the construction industry:* We believe that customer concentration is not uncommon for construction companies in Hong Kong, especially when there is a single project which has a relatively large contract sum and the duration of our superstructure building contracts generally lasts for one year to three years, the relevant customer may easily become our largest customer in terms of revenue contribution in a financial year. For instance, Customer A is a private property developer in Hong Kong and we have recognised revenue from Customer A in one superstructure building project with a total contract sum of HK\$193.1 million in connection with residential development during the Track Record Period. For the three years ended 31 March 2018, approximately 36.9%, 0.6% and 0.7% of our total revenue was attributable to Customer A. Further, according to the Ipsos Report, proven practical industry experience is one of the important competitive factors to be considered by customers. We consider that property developers tend to invite those main contractors with practical industry experience and prior business relationship for submission of tender. As such, it is not uncommon for main contractors to have customer concentration within the construction industry.
- (ii) *Availability of financial resources:* We believe that the number of superstructure building contracts and RMAA works contracts we are able to undertake are limited by the availability of our available financial resources in view of the working capital requirement associated with undertaking such projects. We could be restricted to undertaking a limited number of projects of large scale if our available financial resources are not sufficient to catch up with our business growth. Therefore, during the Track Record Period, we were inclined to undertake a few projects of larger sum for a few customers, hence giving rise to customer concentration during the Track Record Period.

## BUSINESS

- (iii) *Valued business partners:* We have been able to maintain a stable relationship with our major customers. According to the Ipsos Report, reputation and proven practical industry experience are important competitive factors in the industry and property developers could benefit from such proven industry experience to ensure the projects are executed in accordance with their quality standard. Whilst property developers prefer main contractors with reputation and proven industry experience, we consider that doing business with our major customers could strengthen our job reference and reinforce our position in the industry. In this regard, we believe we have, to a certain extent, developed a mutual beneficial and complementary business relationship with our customers.

### *Sustainability of our business*

Our Directors are aware of the risk of customer concentration which our Directors believe will not affect the sustainability of our business. Whilst we will continue to explore business opportunities and maintain good relationship with our existing customers, we have sought to reduce the extent of customer concentration and will not confine to serving only one single customer. During the Track Record Period, the approximate percentage of revenue attributable to Customer A had decreased from 36.9% for the year ended 31 March 2016 to 0.6% for the year ended 31 March 2017 and 0.7% for the year ended 31 March 2018. This was mainly due to completion of the contract with Customer A. We expect that we will continue to secure projects from other customers. For the year ended 31 March 2017 and 2018, our major customer, namely Sing Tao News Corporation Limited, with whom we had a business relationship of 10 years, accounted for approximately 63.3% and 9.0% of our total revenue, respectively. Also, we endeavoured to diversify our customer base and undertake contracts for other customers such as Customer C (which accounted for approximately 17.1%, 14.0% and 23.3% of our revenue for the three years ended 31 March 2018), Customer D (which accounted for approximately 8.2% and 35.7% for the two years ended 31 March 2018) and Tak Wah Investment Ltd. (which accounted for approximately 4.7% and 19.6% of our revenue for the two years ended 31 March 2018). As such, we will continue to explore business opportunities with our existing customers and diversify our customer base to lessen the extent of customer concentration to the extent practicable.

### **Marketing activities**

During the Track Record Period, we secured new businesses mainly through tender by invitation. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in superstructure building and RMAA works projects such that we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities.

We maintain good relationship with architect firms or project management consultants which are often engaged by our end customers to manage and supervise the superstructure building and/or RMAA works projects. In doing so, we use our endeavours to carry out our works professionally, such as replying to their queries promptly and co-operating with the architect firms or project management consultants in their construction programme. We believe the accumulation of successful experience with them has gained their trust to be included in their preference list and thus warrants their subsequent referral of projects to us.

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### Major terms of engagement with our customers

Our customers engage us on a project basis and our customers do not enter into long-term agreements with us. The following summarises the major terms of tender contract with our customers:

- Contract period* : The period within which the project has to be completed. A contract typically commences on the date when we are allowed to commence works at the construction site. Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a contract (from the date of engagement to the date of completion) could generally range from approximately 1.5 months to three years. However, such period may be extended pursuant to the terms of the relevant contract.
- Scope of works* : This term identifies the types and scope of the work in detail which we are engaged to perform under the contracts, for details please refer to paragraph headed “Description of our works” in this section.
- Bills of quantities or schedule of rates* : Most of our contracts would include the bills of quantities or schedule of rates which generally contain the description of the types of work, specifications, quantities of works to be done and the unit rates for each type of works under the project.
- Payment terms* : We generally provide our customers with a written statement of the value of all works done under the contract on a monthly basis.
- Variation orders* : Variation by executing additional or modification works as may be ordered by the customer. All work executed by us as a result of such variations shall be valued between the quantity surveyor and us in accordance with the principles that, among other things, any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work.
- Retention money* : Our customers are generally entitled to withhold 5–10% of the value of work done, subject to a maximum retention of 5% of the total contract value as retention money. Please refer to the paragraph headed “Operation Flow — Completion phase — Practical completion and release of retention money” in this section above for further details.

## BUSINESS

- Insurance* : As a main contractor, we are responsible for taking out contractors' all risks insurance on project basis. Please refer to the paragraph headed "Insurance" in this section below for further details.
- Surety bonds* : Depending on the customers' requirements, a surety bond of up to 10% of the contract sum is required by our customer to secure our Group's due performance of the contract. Such surety bond will be released upon production of practical completion certificate or maintenance certificate issued by the architect at the expiry of the defects liability period as provided in the contract.
- Liquidated damages* : A contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works awarded to us. However, under certain circumstances such as poor weather conditions or issue of variation orders, our customers may grant us extension of time without a need to pay liquidated damages to our customers. 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 as stipulated under the contract.
- Default and termination* : We may be held in default of the contract if we, among other things:
- commit a breach of contract; or
  - without reasonable cause wholly suspend the carrying out of the works before completion; or
  - fail to proceed regularly and diligently with the works.
- During the Track Record Period and up to the Latest Practicable Date, we did not experience early termination of contracts by our customers as a result of our default of the contract.
- Defects liability period* : We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for a certain period after completion of our contracts. Please refer to the paragraph headed "Operation — Completion phase — Rectification and defects liability period" in this section above for further details.

## BUSINESS

### **Credit policy**

Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customer and the key contract terms stipulated in the relevant tender document. Further details in respect of the factors considered in the course of preparation of a tender proposal are set out under the paragraph headed “Operation Flow” in this section above.

After entering into a formal contract, our quantity surveying team will monitor payments from the customer. For outstanding balances overdue, our management and project team will be alerted and appropriate follow-up actions will be taken.

Credit terms given to our customers are generally set out in the relevant contract. Generally, payment is due within a period of around 30 days after the issue of the payment certificate by the authorised person. Settlement is normally made by cheque. The number of trade receivable turnover days is approximately 18.0 days, 17.2 days and 25.3 days for each of the three years ended 31 March 2018, respectively. Further details on our trade receivable turnover days are set out in the section headed “Financial Information — Analysis of various items from the statements of financial position — Trade receivables” in this prospectus.

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

### **Seasonality**

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality.

## **SUPPLIERS**

### **Characteristics of our suppliers**

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) our subcontractors (ii) suppliers of construction materials such as concrete and reinforcement steel and (iii) machinery and equipment rental service providers. We heavily relied on our subcontractors to help complete our projects during the Track Record Period. In fact, we incurred subcontracting fees of approximately HK\$216.7 million, HK\$246.1 million and HK\$326.2 million, which accounted for approximately 73.9%, 73.9% and 80.6% of our total cost of services in FY2016, FY2017 and FY2018, respectively. In particular, all of our five largest suppliers in FY2016 and FY2017 were our subcontractors, while four out of our five largest suppliers in FY2018 were our subcontractors. On the other hand, we incurred material costs of approximately HK\$35.7 million, HK\$46.7 million and HK\$33.3 million, which accounted for approximately 12.2%, 14.0% and 8.2% of our total cost of services in FY2016, FY2017 and FY2018, respectively. We also incurred machinery and equipment rental expenses of approximately HK\$9.7 million, HK\$8.1 million and HK\$10.0 million, which accounted for approximately 3.3%, 2.4% and 2.5% of our total cost of services in FY2016, FY2017 and FY2018, respectively.

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We generally order the relevant construction materials and services on project-by-project basis and therefore do not enter into any long-term supply agreements with our suppliers. Our Directors believe that we have maintained good business relationships with our suppliers. As at the Latest Practicable Date, there were approximately 160 suppliers on our list of approved suppliers, which is reviewed and updated periodically. The admission of suppliers onto our approved list is subject to assessment of various factors including track record, pricing, product quality, market reputation, timeliness of delivery, financial conditions and after-sales services.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers of the same kind in the market.

The following table sets out a breakdown of our total cost of services during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs	11,349	3.9	12,243	3.7	15,804	3.9
Material costs	35,698	12.2	46,674	14.0	33,259	8.2
Subcontracting fees	216,652	73.9	246,082	73.9	326,213	80.6
Machinery and equipment rental expenses	9,682	3.3	8,050	2.4	9,964	2.5
Other overhead costs	<u>19,945</u>	<u>6.7</u>	<u>19,978</u>	<u>6.0</u>	<u>19,344</u>	<u>4.8</u>
<b>Total</b>	<u><u>293,326</u></u>	<u><u>100.0</u></u>	<u><u>333,027</u></u>	<u><u>100.0</u></u>	<u><u>404,584</u></u>	<u><u>100.0</u></u>

Please refer to the section headed “Financial Information — Period-to-period comparison of results of operations” 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 relevant sensitivity analyses in this connection.

During the Track Record Period, our suppliers were located in Hong Kong and all our purchases are denominated in HK dollars.

### **Prices of supplies**

Prices are determined by reference to quotations of suppliers as agreed between the suppliers and us on an order-by-order basis. Our Directors consider the future price trend of the materials when tender proposals are being prepared and hence we could generally pass on the increase in costs to our customers. During the Track Record Period, we did not experience any material fluctuations in the costs of materials that had a material impact on our financial condition, business or results of operations.



## BUSINESS

### Major suppliers

For the three years ended 31 March 2018, the percentage of our total purchases incurred from our largest supplier amounted to approximately 9.7%, 20.9% and 8.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest suppliers combined amounted to approximately 38.9%, 58.4% and 34.6% of our total purchases incurred, respectively. During the Track Record Period, our suppliers were located in Hong Kong and our purchases are denominated in HK\$. In particular, for the three years ended 31 March 2018, the percentage of our total purchases incurred from our largest subcontractor amounted to approximately 9.7%, 20.9% and 8.4% of our total purchases incurred, respectively, while the percentage of our total purchases incurred from our five largest subcontractors combined amounted to approximately 38.9%, 58.4% and 34.3% of our total purchases incurred, respectively.

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Set out below is a breakdown of our total purchases incurred by our five largest suppliers during the Track Record Period and their respective background information:

For the year ended 31 March 2016:

Rank	Supplier	Principal business of the supplier	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	Supplier A	A private company engaged in fitting-out works service	Subcontracting of fitting-out works	2	Within 30 days from the issue of payment certificate; by cheque	24,585	9.7
2	Cheung Lee Plumbing Engineering Company Ltd. and Gold Asian (China) Limited	A private company engaged in plumbing engineering service	Subcontracting of plumbing and drainage installation	20	Within 30 days from the issue of payment certificate; by cheque	19,922	7.9
3	Supplier B	A private company engaged in electricity engineering service	Subcontracting of electricity appliance installation	10	Within 30 days from the issue of payment certificate; by cheque	19,077	7.6
4	Shun Yick & Co., Ltd.	A private company engaged in fire engineering service	Subcontracting of fire engineering service	10	Within 30 days from the issue of payment certificate; by cheque	17,721	7.0
5	Supplier C	A subsidiary indirectly owned by a company listed in the London Stock Exchange and a company listed in the London Stock Exchange, Bermuda and Singapore, engaged in curtain wall system installation service	Subcontracting of installation of curtain wall system	2	Within 30 days from the issue of payment certificate; by cheque	16,892	6.7
Five largest suppliers combined						98,197	38.9
All other suppliers						<u>154,153</u>	<u>61.1</u>
Total purchases (Note)						<u><u>252,350</u></u>	<u><u>100.0</u></u>

*Note:* For the year ended 31 March 2016, all of our five largest suppliers were our subcontractors, and we incurred subcontracting fees of approximately HK\$216.7 million, which accounted for approximately 85.9% of our total purchases for the same period.

## BUSINESS

For the year ended 31 March 2017:

Rank	Supplier	Principal business of the supplier	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	Supplier D	A private company engaged in structural steel engineering service	Subcontracting of steel structure engineering service	1	Within 30 days from the issue of payment certificate; by cheque	61,069	20.9
2	Lucky E&M Limited	A private company engaged in electrical and mechanical services	Subcontracting of electrical and mechanical service	10	Within 30 days from the issue of payment certificate; by cheque	44,973	15.4
3	Supplier E	A private company engaged in decoration works service	Subcontracting of decoration works service	10	Within 30 days from the issue of payment certificate; by cheque	32,124	11.0
4	Supplier F	A private company engaged in formwork fixing service	Subcontracting of formwork fixing service	10	Within 30 days from the issue of payment certificate; by cheque	18,519	6.3
5	Supplier G	A private company engaged in excavation service	Subcontracting of excavation service	10	Within 30 days from the issue of payment certificate; by cheque	14,165	4.8
Five largest suppliers combined						170,850	58.4
All other suppliers						<u>121,906</u>	<u>41.6</u>
Total purchases ( <i>Note</i> )						<u><u>292,756</u></u>	<u><u>100.0</u></u>

*Note:* For the year ended 31 March 2017, all of our five largest suppliers were our subcontractors, and we incurred subcontracting fees of approximately HK\$246.1 million, which accounted for approximately 84.1% of our total purchases for the same period.

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For the year ended 31 March 2018:

Rank	Supplier	Principal business of the supplier	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.	Supplier F (Note 1)	Two private companies engaged in formwork fixing service	Subcontracting of formwork fixing service	10	Within 30 days from the issue of payment certificate; By cheque	30,342	8.4
2.	Success Fine Curtain Wall Limited	A private company engaged in curtain wall system installation service	Subcontracting of installation of curtain wall system	10	Within 30 days from the issue of payment certificate; By cheque	28,955	8.1
3.	Supplier B	A private company engaged in electricity engineering service	Subcontracting of electrical appliance installation	10	Within 30 days from the issue of payment certificate; By cheque	28,358	7.9
4.	Supplier H	A private company engaged in plumbing and drainage installation	Subcontracting of installation of plumbing and drainage	10	Within 30 days from the issue of payment certificate; By cheque	18,931	5.3
5.	Supplier I	Subsidiaries of a company listed on the Main Board of the Stock Exchange, mainly engaged in the supply of metal products and building construction materials	Supply of steel, concrete and metal	10	Within 30 days from the issue of payment certificate; By cheque	17,710	4.9
Five largest suppliers combined						124,296	34.6
6.	Supplier J	A private company engaged in mechanical ventilation and air conditioning installation	Subcontracting of mechanical ventilation and air conditioning installation	10	Within 30 days from the issue of payment certificate; By cheque	16,376	4.6
All other suppliers						218,800	60.8
Total purchases (Note 2)						359,472	100.0

*Notes:*

- During the year ended 31 March 2018, our Group incurred subcontracting fees from two private companies which were under the same management of Supplier F.
- For the year ended 31 March 2018, four out of our five largest suppliers were our subcontractors, and we incurred subcontracting fees of approximately HK\$326.2 million, which accounted for approximately 90.7% of our total purchases for the same period.

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None of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the 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.

### **Subcontracting**

For all of our projects, we act as a main contractor and delegate works to our subcontractors under close supervision and management by our project management team to ensure their conformity to customers' requirements and that projects are completed on time and within budget. As the entire process of a superstructure building and RMAA works project involves different kinds of works procedures, it is impractical for us to undertake each part of the works involved directly. It is a common industry practice for subcontractors to further subcontract part of their works to other subcontractors. Our Directors consider that subject to our resources level, capacity, complexity of the projects, cost effectiveness and customers' requirements, we may subcontract our works such as curtain wall system installation, electricity appliance installation, plumbing and drainage installation, fitting-out works, fire engineering service, steel structure engineering service, electrical and mechanical service and decoration works. We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractor for a project and do not limit which subcontractor to be used by us.

For the three years ended 31 March 2018, we incurred subcontracting fees of approximately HK\$216.7 million, HK\$246.1 million and HK\$326.2 million, respectively. Please refer to the section headed "Financial Information — Description of selected items from consolidated statements of comprehensive income — Costs of services" in this prospectus for the relevant sensitivity analysis.

We generally do not require our subcontractors to provide surety bonds. During the Track Record Period and up to the Latest Practicable Date, our Group did not require any of our subcontractors to provide surety bonds.

#### *Criteria for selecting subcontractors*

There are two types of subcontractors, namely, (i) those who are nominated by our customers and (ii) those selected by us. For the subcontractors who are selected by us, our Group maintains an approved list of subcontractors, which are selected based on their past experience, qualifications, quality of work, reputation in the industry, capability, price competitiveness, credit-worthiness and their safety and environmental records. Furthermore, in some projects, certain works which required specific skill sets including curtain wall installation, lifts and escalators installation and electrical and mechanical works, required to be carried out by the subcontractors nominated by our customers. As at the Latest Practicable Date, we had about 106 subcontractors on our approved list of subcontractors. We believe that our stable relationship with our subcontractors enables us to have a thorough understanding and assessment of their performance standards over the years, which in turn allows us to ensure their quality of works. We will review and update our approval list from time to time. During the Track Record Period, none of the subcontractors were removed from our approved list of subcontractors due to poor performance in subcontracting works.

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All of our subcontractors are independent third parties. Our Directors consider that there are sufficient subcontractors in the market to whom we can delegate our works if required. We believe we are flexible to engage alternative subcontractors to take up part of our works when necessary.

### Major terms of engagement with our subcontractors

We engage our subcontractors on a project basis and do not enter into long-term agreements with subcontractors. The following summarises the major terms of engagement with our subcontractors:

- Contract period* : The duration of the subcontracting agreement is in line with the duration of the main contract between us and our customer.
- Rights and obligations of the subcontractor* : A subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis.
- Subcontracting fee and payment terms* : The subcontracting fee to be received by the subcontractor is usually represented in a provisional sum, which is subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. No price adjustment clause is included in the subcontracts between our Group and our subcontractors. The credit period granted by our subcontractors is normally within 30 days from the issue of payment certificate. Therefore, our Directors consider that our payment pattern does not deviate from the requirements stipulated in the SOPL and our payment practice, liquidity and cash management will not be affected by the SOPL if it becomes effective.
- Site utilities* : Water, electricity and lighting are provided by our Group for site operations.
- Retention monies and maintenance period* : We may hold up a certain percentage of each interim payment made to the subcontractors as retention money. Such percentage generally ranges from 5% to 10%, subject to a ceiling of up to 5% of the total contract sum for private sector projects. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works. During this period, the subcontractor shall keep its work in repair or make good any faulty work at his own expense.

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- Insurance* : In general, it is the obligation of the main contractor of the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites. Please refer to the paragraph headed “Insurance” in this section below for further details.
- Liquidated damages* : A subcontractor is required to pay liquidated damages to us for any significant delay caused by such subcontractor in completion of works subcontracted to them, subject to any extension of time as may be granted to us. Although we are entitled to charge back any liquidated damages paid by us, during the Track Record Period and up to the Latest Practicable Date, no liquidated damages paid by us was charged back to the subcontractors.
- Termination* : If the subcontractor leaves the work uncompleted, fails to complete the work on the date for completion or, if in the opinion of our project manager the work is unsatisfactory or likely to be so and causes unduly delay to the overall progress of the main contract, our Group may terminate the subcontracting agreement by giving advance notice of intention to do so.
- Safety* : The subcontractor shall comply with the provision of statutory safety regulations relating to the carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses sustained occasioned as a consequence of the subcontractors’ non-compliance with the safety ordinance or regulations.
- Management and supervision* : The subcontractor is required to designate a representative at the works site to supervise their works and liaise with our Group.
- Indemnity* : Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractor and/or its employees. We are entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with the requirements set out in the main contract.

*Assignment*

Prohibition of assignment or subcontracting by the subcontractor of all of their works under the subcontracting agreement, unless with the prior consent of the architect of our customer (in case of nominated subcontractor) and us.

**Control over subcontractors**

In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. During project implementation, our project team regularly meets with our subcontractors and closely monitors their performance and work progress as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the sections headed “Quality control”, “Occupational health and safety” and “Environmental protection” in this section.

In addition, depending on our agreements with our subcontractors, we may hold up a certain percentage of each interim payment made to our subcontractors 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 held up from our subcontractors.

*Designated Workers for Designated Skilled Provision*

On 1 April 2017, the “designated workers for designated skills” provision of the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking the construction works of the designated trade divisions unless they are registered skilled or semi-skilled workers for the relevant trade division or under the instruction and supervision of the relevant skilled or semi-skilled workers. Please refer to the section headed “Regulatory Overview — Laws and regulations in relation to construction labour, health and safety — Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)” in this prospectus for further details. Our Group will ensure that our subcontractors will employ only registered skilled and semi-skilled workers for designated trade divisions to carry out our superstructure building works and RMAA works contract.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers with respect to the quality of work performed by us and our subcontractors.

As disclosed in the paragraph headed “Operation Flow — Planning and administration phase — Procurement of materials” of this section above, we normally require our subcontractors to equip themselves with the machinery required for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Where the use of the machinery is required in performing the works delegated and our subcontractors are responsible for providing such machinery, they are required under the subcontracting agreement to ensure that all machinery used complied with the relevant statutory safety requirements and the subcontractors are fully liable for all personal injuries and penalties due to the breach of the statutory safety requirements.



## **QUALITY CONTROL**

To maintain consistent quality services for our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015 since 1 April 2017. We have in-house quality assurance requirements that conform to the ISO 9001:2015 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, project planning, project management and supervision, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints. Our workers and our subcontractors are required to follow such procedures. Mr. Ho Chi Lai, Johnny, our project manager, is responsible for managing our quality management system. For the background and industry experience of Mr. Ho, please refer to the section headed “Directors and Senior Management” in this prospectus.

### **Quality control on our services**

Our Group’s quality management system is contained in our project quality plan which sets out the steps to be carried out throughout the building works process from pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites as the first line of monitoring the quality of works done by our own staff and, as the case may be, our subcontractors. Our project manager makes visits to construction sites for which he is responsible and monitors the work quality, the progress of work and ensures that works are completed according to schedule.

Furthermore, our project management teams communicate frequently with our executive Directors who closely monitor the progress of each project and discuss issues identified to ensure the building works (i) meet our customers’ requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant codes and regulations applicable to the works.

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

We closely monitor the quality of purchased materials. To ensure the quality of supplies, prior to ordering, our quantity surveyors will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our foremen before utilisation. During the inspection, we will check (i) whether the quantity is correct; and (ii) whether there are any observable defects. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at project sites and verify the specifications from time to time.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the services performed by us or works performed by our subcontractors.

## **OCCUPATIONAL HEALTH AND SAFETY**

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, the subcontractors and the general public in hazards. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations and managed by our safety and environmental team under the supervision of Mr. KM Chan, our Executive Director, whose background and industry experience are set out in the section headed “Directors and Senior Management” in this prospectus.

Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18001:2007 since 1 April 2017 as a recognition of the policies and procedures undertaken by our Group to address potential health and safety issues on our sites.

### **Occupational health and work safety measures**

Due to the nature of works in the construction industry, workers at the sites are prone to safety hazards. In order to provide a safe and healthy working environment for our employees and our subcontractors and to ensure compliance with the applicable laws and regulations in Hong Kong, we implement our safety plan at the commencement and during the implementation period of each project.

Our safety plan is documented in writing and supplemented with instructions, training and demonstrations. We require strict implementation of and adherence to our safety plan. We will continue to put adequate resources and effort to uphold and improve our safety management in order to reduce our risks related to safety issues.

Our safety plan adopted and used during the Track Record Period sets out work safety measures to prevent common accidents which could happen at sites. Some details of our safety plan are set out below:

- safety officer and safety supervisor will assist our executive Directors to (i) establish, approve and ensure implementation of the safety plan and review the safety plan on an annual basis; (ii) arrange quarterly management meetings to review the implementation of safety policy; and (iii) discuss and countersign the monthly reports submitted by the safety officer;
- our project manager for each project will (i) ensure from the planning stage that safety systems of work are incorporated into our proposed construction methods, and are subsequently adhered to; and (ii) assist in reviewing the safety plan on an annual basis;
- our project manager will visit our sites at which the project is on-going once a week;
- our safety officer shall (i) advise our management on the legal requirements affecting safety and health and assist in reviewing the safety plan on an annual basis; (ii) anticipate possible hazards and recommend relevant procedures; (iii) carry out surveys and inspections to ensure that all relevant laws are being observed; (iv) submit monthly reports to the management, provide statistics and analysis on accidents and make recommendations for improvement;

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- our safety officer shall (i) report and investigate accidents and dangerous occurrence, determine the causes and recommend means of preventing recurrence; and (ii) arrange safety training for all levels of employees and promote awareness of accident prevention;
- our safety supervisor shall (i) ensure compliance with relevant statutory duties; (ii) give instructions to foreman and subcontractors on correct and safe working practices; and (iii) take disciplinary actions against employees violating safety regulations and/or company safety procedures;
- our site agents shall ensure that all plant, machinery and equipment at the workplace conform with the relevant statutory requirement;
- our site foremen shall co-operate with the safety officer/assistant safety officer to create good safety practices and ensure that all newcomers to the construction sites are aware of their safety obligations;
- all site personnel will undergo initial induction training for at least half a day, including core topics such as safety plan, relevant health and safety regulations, emergency, rescue and typhoon procedure, hazards of the site, accident reporting and first aid procedures. Other matters pertinent at the time of induction, such as working at height, lifting operations, blasting and excavations (if applicable) will also be included; and
- we conduct safety walk by our site agent, safety supervisor, safety officer, foreman and the relevant subcontractor's representative to assess general compliance with safety requirements from time to time.

In addition, under the Safety Management Regulation, any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. During the Track Record Period, our Group appointed registered safety auditor to conduct several safety audits on Head Fame, our key operating subsidiary, and the respective projects undertaken by us as required under the Safety Management Regulation. These audits revealed that the safety management system adopted by our Group was in compliance with the requirements under the Safety Management Regulation.

To further enhance our objective to provide a safe and healthy working environment for our employees and our subcontractors, we have engaged an independent safety consultant, Mr. Au Kwok Wah as our safety officer to (i) provide safety advice to us regularly, (ii) submit weekly site inspection reports to us, (iii) assist the implementation of safety measures and (iv) attend monthly meeting with our safety committee.

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On the other hand, a safety committee has been established to oversee and implement the safety management system, ensure the system in place is in compliance with the relevant health, safety and environmental standards and consider feedback from employees and subcontractors concerning our current workplace safety measures. The safety committee is also responsible for enforcing safety policies, review and assess safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations. The safety committee holds monthly meeting with our safety officer. The composition of the safety committee is as follows:

<b>Name</b>	<b>Qualifications and experiences</b>
<i>Chairman</i>	
Mr. Chan Kam Tong	Please refer to the section headed “Directors and Senior Management” in this prospectus for further details.
Mr. Chan Kam Ming	Please refer to the section headed “Directors and Senior Management” in this prospectus for further details.
<i>Secretary</i>	
Mr. Au Kwok Wah	Mr. Au is an independent safety consultant engaged by our Group as our safety officer. Mr. Au obtained a diploma in Mechanical Engineering from Tuen Mun Technical Institute in 1992. He further obtained a higher certificate in Mechanical Engineering from Hong Kong Polytechnic University in 1995 and a certificate in the Construction Safety Officer Course from the Construction Industry Training Authority in 1998. Mr. Au was registered as a safety officer under the Labour Department in Hong Kong in December 1998 and became a member of the Institute of Occupational Safety & Health in Hong Kong in 2004. Before being engaged by our Group, Mr. Au worked in SHE & R Workshop Ltd. from March 1998 to June 2008 as a part-time safety adviser whereby he provided safety advice, completed safety inspection reports and implemented safety measures for a variety of construction, refurbishment and improvement works in Hong Kong.
<i>Members</i>	
Mr. Lee Kam Meng	Please refer to the section headed “Directors and Senior Management” in this prospectus for further details.
Mr. Ho Chi Lai, Johnny	Please refer to the section headed “Directors and Senior Management” in this prospectus for further details.

**System of recording and handling accidents and our safety compliance record**

As a main contractor, when there is an accident at our works site, we require any injured worker or person who witnessed the accident to report to our site representative or safety officer for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries at our sites to the Labour Department. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- Fact finding and follow-up actions
  - Our safety officer will investigate the accident by visiting the accident scene, examining the equipment and/or material involved and taking statements from the injured worker, witness(es) of the accident and other personnel in relation to the project.
  - Remedial actions will be taken by our project management team to remove imminent danger and to prevent occurrence of similar accidents in the future. Our safety officer will also carry out follow-up inspection to ensure that remedial works are implemented.
- Reporting
  - Our safety officer will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations.
  - Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser (if necessary).
- Settlement or litigation
  - Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, there were 13 accidents which gave rise or may give rise to potential employees' compensation claims and personal injury claims.

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The table below sets out the nature of the 13 accidents occurred during the Track Record Period and up to the Latest Practicable Date:

<b>Nature of Accident</b>	<b>Number of accidents</b>
Slip, trip or fall on the same level	5
Fall of person from height two meters	1
Others (finger being pinched by door and pipe wrench, calf being cut by iron materials, suffered left foot injury while carrying materials at construction site, left upper arm being hit by a falling object, body bruise by falling into a fenced road pothole and left foot bruise by being hit by tiles while removing material package)	7
<b>Total:</b>	<b>13</b>

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

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between our Group and the industry average during the periods indicated:

	<b>Construction Industry in Hong Kong</b> <small>(Note 1)</small>	<b>Our Group</b> <small>(Note 2)</small>
<b>From 1 January to 31 December 2015</b>		
Industrial accident rate per 1,000 workers in construction industry	39.1	0.07
Industrial fatality rate per 1,000 workers in construction industry	0.2	0
<b>From 1 January to 31 December 2016</b>		
Industrial accident rate per 1,000 workers in construction industry	34.5	0.43
Industrial fatality rate per 1,000 workers in construction industry	0.093	0
<b>From 1 January to 31 December 2017</b>		
Industrial accident rate per 1,000 workers in construction industry	Not available	0.24
Industrial fatality rate per 1,000 workers in construction industry	Not available	0

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*Notes:*

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.16 (August 2016) and the Occupational Safety and Health Statistics Bulletin Issue No.17 (August 2017) published by Occupational Safety and Health Branch of the Labour Department of the Government.
2. Our Group's rates are calculated with reference to the number of injuries divided by the daily average site workers in our Group's construction sites during the year and multiply the result by 1,000. The daily average site workers only consisted of employees of our Group. Given our Group is not responsible for the engagement of workers for our subcontractors and determining how many workers should be employed to carry out their works, and also the fact that the subcontractors did not provide our Group with the number of hours used to complete their subcontracted works, the daily average site workers relating to our subcontractors cannot be ascertained.

The accident and fatality rates at our construction sites were lower than the construction industry average in Hong Kong for the years ended 31 December 2015, 2016 and 2017.

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

From 1 January to 31 December 2015	0.03
From 1 January to 31 December 2016	0.16
From 1 January to 31 December 2017	0.09

*Notes:*

1. LTIFR is a frequency rate that shows how many lost time injuries ("LTIs") occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.
2. It is assumed that the working hour of each worker is nine hours per day.

## ENVIRONMENTAL PROTECTION

We endeavour to minimise any adverse impact on the environment resulting from our business activities. Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus. We also endeavour to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015 since 1 April 2017. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal.

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For the three years ended 31 March 2018, we incurred approximately HK\$1.7 million, HK\$1.5 million and HK\$1.4 million respectively, which primarily consisted of waste disposal charges and environmental related ISO certification expenses. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with its scale of operation.

During the Track Record Period and up to the Latest Practicable Date, save as those disclosed in the paragraph headed “Non-compliance” in this section, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

### INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors believe that we were well covered under the following insurance policies against the risks and liabilities to which we may be exposed in the course of our business operation:

#### (i) Employees’ compensation insurance

We maintain insurance cover for our liabilities under employees’ compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$200 million on a per incident basis. We consider such insurance coverage being generally sufficient for our liabilities under employees’ compensation claims and personal injuries actions.

#### (ii) Contractors’ all risks insurance and other insurance taken out by the main contractor

During the Track Record Period, as a main contractor, we are responsible for purchasing the contractors’ all risk insurance policies covering the liabilities of our Group and our subcontractors arising out of the performance of the subcontracted works. Such insurance policies extend throughout the entire period of a contract, including the defects liability period following completion of the project.

#### (iii) Other insurance coverage

Our Group has maintained insurance coverage against, third party death or bodily injury and property damage in relation to the use of our vehicles for a respective amount of up to HK\$100 million and HK\$1 million per event; and other types of insurance to cover our business including, among others, property all risks insurance, business interruption insurance and public liability insurance.

### Uninsured risks

Certain risks disclosed in the section headed “Risk Factors” in this prospectus, such as risk in relation to customer concentration, our ability to secure new contractors, potential claims arising from estimation and management of costs, subcontractors’ performance, liquidity risk, employees’ compensation and personal injury claims made by the employees’ of nominated subcontractors or their subcontractors etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can either deduct the retention monies payable to such subcontractor or claim against such subcontractor for losses attributable to their substandard performance pursuant to the indemnity clause of the subcontracting



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agreement. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Further, during the Track Record Period, we did not experience any claims from our customers in respect of the latent defects. Please refer to the paragraph headed “Internal control and risk management” in this section below for further details regarding our Group’s management of certain uninsured risk.

Our Directors believe that the above arrangements are consistent with industry norm in Hong Kong. We consider that the aforesaid insurance coverage is sufficient for our liabilities under employees’ compensation claims and personal injuries actions at the project sites. Taking into account the insurances taken out by our Group, our Directors believe that we have obtained adequate insurance coverage for the operation of our business. For each of the three years ended 31 March 2016, 2017 and 2018, our insurance expenses were approximately HK\$5.4 million, HK\$6.0 million and HK\$6.9 million respectively, which primarily consisted of contractors’ all risks insurance, employees’ compensation insurance for both site labour and office staff and insurance premium for surety bond. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

### EMPLOYEES

As at the Latest Practicable Date, we had 50 employees who were directly employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	<b>As at the Latest Practicable Date</b>
Executive Directors and general management	2
Administration, accounting and finance	7
Contract manager and quantity surveyors	3
General site supervisor and building services manager	2
Project managers and assistant project manager	4
Site safety staff	2
Site foremen and assistant site foreman	4
Site agents and other site workers	<u>26</u>
	<u><u>50</u></u>

### Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes, save as disclosed in the paragraph headed “Litigation and potential claims” in this section. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

### **Recruitment policy and training**

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to a probation period of three months. We endeavour 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.

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

### **Remuneration policy**

The remuneration package our Group offered to our employees includes salary, 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.

Our Group operates MPF scheme for all qualifying employees in Hong Kong. During the three years ended 31 March 2018, the total expenses recognised in the consolidated statements of comprehensive income amounted to approximately HK\$0.6 million, HK\$0.6 million and HK\$0.7 million, respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

### **Requirements under the Immigration Ordinance**

Pursuant 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) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed "Regulatory Overview — Laws and regulations in relation to construction labour, health and safety — Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)" in this prospectus.

Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. We have implemented the following

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measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

- Our human resources and administrative officers shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.
- The subcontracting agreement contains a clause whereby our subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal worker to enter the site.
- Our foremen is responsible for inspecting the personal identification document of each worker and shall refuse any person who does not possess proper personal identification document from entering the site.

### **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.

### **MARKET AND COMPETITION**

According to the Ipsos Report, the superstructure building works industry and RMAA works industry in Hong Kong are fragmented with the top five players which accounted for approximately 14.1% of the total revenue of superstructure building works industry in 2017 and approximately 15.5% of the total revenue of RMAA works industry in 2016. As of July 2018, there were 731 registered general building contractors under the Buildings Department which are qualified to perform superstructure work.

Our Directors consider that our experience and proven track record, our stable relationship with private property developers and architects, quality of work, technical expertise, suppliers and subcontractors, safety records and project pricing are the determinants of competitiveness of a superstructure building works and RMAA works contractor in Hong Kong. Entry barriers to the superstructure building works industry and RMAA works industry in Hong Kong mainly include sufficiency of practical industry experience, ability to establish good reputation, track record and past performance. For details, please refer to the section headed “Industry Overview” in this prospectus.

According to the Ipsos Report, in view of the growth drivers such as the Government’s policy to increase land supply and housing supply, increase number of commercial development projects and the Government’s policy for urban renewal, our Directors believe that there will be more opportunities for our superstructure building works and RMAA works business within the private sector. With our own proven track record, experienced project management team, specialist knowledge in the superstructure building work and RMAA work industry and stable relationship with our key customers, suppliers and subcontractors, details of which are set out in the paragraph headed “Competitive Strengths” in this section, our Directors believe that our Group is well-positioned to capture the growing demand for superstructure building works and RMAA works services in Hong Kong.

## BUSINESS

### PROPERTIES



#### Leased properties

The following table summarises the information regarding our leased properties that were material to our business operation during the Track Record Period and up to the Latest Practicable Date:

Address	Landlord	Gross floor area (sq. ft.)	Use of the property	Key terms of the tenancy
Room 1813, Laurels Industrial Centre, No. 32 Tai Yau Street, San Po Kong, Kowloon	Fully Tact Limited (A related party)	1,606	Workshop	Monthly rent of HK\$22,000 (exclusive of rates, government rent, management fee and other outgoings) for a term of 23 months commencing from 1 May 2014 to 31 March 2016 (both days inclusive).
Unit 2105 on the Twenty First Floor of Win Plaza, No. 9 Sheung Hei Street, San Po Kong, Kowloon	An independent third party	1,270	Office Use	Monthly rent of HK\$26,000 (exclusive of rates, government rent, management fee and other outgoings) for a term of three years commencing from 23 March 2016 to 22 March 2019 (both days inclusive).

Save as disclosed above, our Group did not have any other property interests that were material to our business operation as at the Latest Practicable Date.

**INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, our Group has registered  and  as our Group's trademarks in Hong Kong, which are intended to be used by our Group to foster our corporate image. We are also the registered owner of the domain name **headfame.com.hk** and **goldenponder.com**. Please refer to the section headed “Further information about the business of our Group — 8. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details of our intellectual property rights.

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

**LICENCES AND PERMITS**

As confirmed by our Directors, our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that quality standards, financial capability, expertise, management, environmental and safety are complied with contract or statutory requirements by the contractors in carrying out their works in private sector. Details of the above are set forth under the section headed “Regulatory Overview” in this prospectus.

The following table sets out our major qualification and licence held by us since 1999:

<b>Relevant Government departments</b>	<b>Registration</b>	<b>Holder</b>	<b>Expiry date</b>
Buildings Department	Registered general building contractor	Head Fame	6 November 2018

We have not experienced any refusal of renewal of the above registration necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of the above registration.

Furthermore, in order to maintain our registration with the Buildings Department, Head Fame, our principal operating subsidiary, have at least one Authorised Signatory to act for it for the purposes of the Building Ordinance and one Technical Director to carry out certain duties, details of which are set out in the section headed “Regulatory Overview — Laws and regulations in relation to the contractor licensing regime — General building contractor” in this prospectus.

## BUSINESS

Set out below are Technical Directors and the Authorised Signatory of Head Fame for purposes of the Buildings Ordinance:

<b>Qualification</b>	<b>Technical Director</b>	<b>Authorised Signatory</b>
General building contractor	Mr. KM Chan Mr. Wan Sze Hok Wilson	Mr. KM Chan

On 25 August 2017, the Buildings Department has approved Mr. Wan Sze Hok Wilson to act as a Technical Director of our Group. We have further submitted applications to the Buildings Department for the addition of two new Authorised Signatories, being Mr. Wan Sze Hok Wilson and Mr. Ho Chi Lai Johnny both of whom are members of our senior management. Up to the Latest Practicable Date, we are in the application process. Please see the section headed “Relationship with Controlling Shareholders — Operational independence” in this prospectus for further details.

### ISO CERTIFICATIONS

We have received a number of ISO certificates in recognition of our commitment and dedication to our quality management system, occupational health and safety management and environmental compliance. The following table summarises the certifications obtained by our Group:

<b>Nature</b>	<b>Certification</b>	<b>Awarding organisation or authority</b>	<b>Holder</b>	<b>Validity period</b>
Quality Management System	ISO9001:2015	Accredited Certification International Limited	Head Fame Company Limited	1 April 2017– 1 April 2020
Environmental Management System	ISO14001:2015	Accredited Certification International Limited	Head Fame Company Limited	1 April 2017– 1 April 2020
Occupational Health and Safety Management System	ISO18001:2007	Accredited Certification International Limited	Head Fame Company Limited	1 April 2017– 1 April 2020

The validity of the above certifications is subject to the continuing satisfactory operation of the relevant holder’s management system and surveillance audits. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these certifications.

## BUSINESS

### LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of the major outstanding litigations and potential claims involving our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

#### (i) Outstanding personal injury claims as at the Latest Practicable Date

As at the Latest Practicable Date, there were two outstanding common law personal injury claims. Details of the outstanding claims are as follows:

No.	Claimant/Plaintiff	Nature	Date of accident	Amount claimed	Status
1.	an employee of Head Fame's subcontractor	The plaintiff claimed for personal injuries for right shoulder injury sustained by him while carrying and moving penal materials at a construction site	21 August 2013	HK\$6,280,503.37 plus interest	Legal proceeding taken over by the solicitors appointed by Head Fame's insurer
2.	an employee of a subcontractor of a nominated subcontractor of Head Fame	The plaintiff claimed for personal injuries for lower back injury sustained by him while removing a cement bag in order to continue carrying out his work at a construction site	23 March 2015	Damages to be assessed by court ( <i>Note</i> )	A writ of summons was issued out of the District Court of Hong Kong against the subcontractor of the nominated contractor and Head Fame on 6 March 2018 and was received by Head Fame on 2 August 2018

*Note:* In February 2018, we received a pre-action letter from the plaintiff in respect of an intended personal injury claim. A writ of summons was issued on 6 March 2018 and up to the Latest Practicable Date, it has not yet been served on Head Fame. Our employees' compensation insurance maintained for the relevant construction project does not cover employees of subcontractors nominated by our customers and their subcontractors. As advised by our Legal Counsel, since Head Fame was not the employer of the plaintiff and the plaintiff is covered under insurance policy maintained by the subcontractor as his employer in compliance with section 40(1) of the Employees' Compensation Ordinance, not covering the plaintiff under insurance policy maintained by Head Fame does not make Head Fame in breach of any applicable laws. A writ of summons, together with a statement of claim and a statement of damages were received by Head Fame on 2 August 2018. The total amount being claimed by the plaintiff against the subcontractor of the nominated contractor and Head Fame is HK\$461,850 plus interest and less the employees' compensation claim received. Based on the information stated in the statement of claim and the statement of damage, our Legal Counsel estimated preliminarily that the amount of damages which Head Fame will be liable would be in the range from HK\$123,723 to HK\$134,323.

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### (ii) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

Up to the Latest Practicable Date, our Group recorded 13 personal injury accidents whose time limit for filing a claim pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) or a personal injury claim under common law has not yet passed. Details of the 13 accidents are as follows:

No.	Nature of the incident	Date of the incident	Status
1.	An employee of Head Fame suffered from left heel injury whilst slipped and fell from approximately two meters height when performing water proofing work at the construction site	27 January 2016	No further action will be taken by the Labour Department as the amount assessed by Form 5 <sup>(Note 2)</sup> has been paid to the relevant injured persons
2.	An employee of our subcontractor suffered from right little finger fracture by being pinched by door while working in the pump room at the construction site	11 March 2016	No further action will be taken by the Labour Department as the amount assessed by Form 5 <sup>(Note 2)</sup> has been paid to the relevant injured persons
3.	An employee of Head Fame suffered from right shin laceration by being cut by iron materials while carrying his work at the construction site	13 August 2016	No further action will be taken by the Labour Department as the amount assessed by Form 5 <sup>(Note 2)</sup> has been paid to the relevant injured persons
4.	An employee of Head Fame suffered from fracture left wrist after slipped and fell while closing the gate at the construction site	22 March 2017	No further action will be taken by the Labour Department as the amount assessed by Form 5 <sup>(Note 2)</sup> has been paid to the relevant injured persons
5.	An employee of our subcontractor suffered from bruising on the knee after fell when performing reinforcement bar bending works at the construction site	20 October 2017	Form 2 <sup>(Note 1)</sup> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department



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No.	Nature of the incident	Date of the incident	Status
6.	An employee of our subcontractor suffered from left foot injury while carrying materials at the construction site	8 November 2017	No further action will be taken by the Labour Department as the amount assessed by Form 5 <i>(Note 2)</i> has been paid to the relevant injured persons
7.	An employee of our subcontractor suffered from left wrist fracture after fell while carrying materials at the construction site	13 November 2017	Form 2 <i>(Note 1)</i> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department
8.	An employee of our subcontractor suffered from head bruise after fell at the construction site	15 December 2017	No further action will be taken by the Labour Department as the amount assessed by Form 5 <i>(Note 2)</i> has been paid to the relevant injured persons
9.	An employee of our subcontractor suffered from right wrist bruise after fell while walking from the second floor to the third floor at the construction site	11 January 2018	Form 2 <i>(Note 1)</i> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department
10.	An employee of our subcontractor suffered from right middle finger fracture by being pinched by pipe wrench while working on the sprinkler head at the construction site	7 May 2018	Form 2 <i>(Note 1)</i> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department

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No.	Nature of the incident	Date of the incident	Status
11.	An employee of our subcontractor suffered from left upper arm injury by being hit by a falling object while working at the construction site	1 June 2018	Form 2 <sup>(Note 1)</sup> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department
12.	An employee of our subcontractor suffered from body bruise by falling into a fanced road pothole while working at the construction site	7 July 2018	Form 2 <sup>(Note 1)</sup> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department
13.	An employee of our subcontractor suffered from left foot bruise by being hit by tiles while removing material package at the construction site	9 July 2018	Form 2 <sup>(Note 1)</sup> has been filed with the Labour Department but the settlements have not yet been reached or the case have not yet been withdrawn from the Labour Department

*Notes:*

1. Form 2 refers to Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity.
2. Form 5 refers to the Certificate of Compensation Assessment issued by the Commissioner of Labour stating the amount of compensation payable by the employer to the employee.

The injured persons in the above cases may commence their claims under the Employees' Compensation Ordinance within the limitation period of two years and/or their personal injury claims under common law within three years from the date of the relevant accidents. Since no civil action has commenced and the claims, when filed, will be handled by solicitors appointed by our insurers, we are not in a position to assess the likely quantum of such potential claims.

Save as disclosed above, there were no other pending or threatened litigation or arbitration proceedings or claims against us during the Track Record Period and as at the Latest Practicable Date.

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Our Directors are of the view that occurrence of personal injuries is not uncommon in the construction industry. We have taken out insurance in compliance with the applicable laws and regulations with a view to providing sufficient coverage for employees' compensation claims and personal injury claims. To the extent that any amount claimed is not covered by the relevant insurance taken out by our Group, our Controlling Shareholders have agreed to give indemnity to our Group in respect of the abovementioned ongoing and potential employees' compensation claims and personal injury claims pursuant to the Deed of Indemnity. Details of indemnities provided by our Controlling Shareholders are set out in the section headed "Other Information — 13. Tax and other indemnities" in Appendix IV to this prospectus. As such, our Directors are of the view that the abovementioned ongoing and potential employees' compensation claims and personal injury claims would not result in any material impact on the financial position or results and operations of our Group.

As at the Latest Practicable Date, none of our Directors were involved in the litigation or arbitration proceedings, and our Directors believe that none of these legal or arbitral proceedings, individually or in aggregate, were expected to have any material adverse effect on our business, financial conditions and results of operations.

### (iii) Charges under Construction Sites (Safety) Regulations

Set out below are summons issued against Head Fame which are outstanding as at the Latest Practicable Date:

No.	Date of summons	Relevant sections of the regulation	Details of the charge	Current status
1.	30 April 2018	Regulations 48(1)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Failing to take all reasonable steps to ensure that no workman remained on the site unless the workmen were wearing suitable safety helmets	Pre-trial review has been scheduled on 3 September 2018
2.	30 April 2018	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Failing to take adequate steps to prevent a person on the site from falling from a height of 2 metres or more	Pre-trial review has been scheduled on 3 September 2018

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No.	Date of summons	Relevant sections of the regulation	Details of the charge	Current status
3.	30 April 2018	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Failing to ensure that, so far as was reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained	Pre-trial review has been scheduled on 3 September 2018

For details of the maximum penalty and estimated penalty of the above non-compliance incidents, please refer to the paragraph headed “Non-compliance” in this section.

**NON-COMPLIANCE**

During the Track Record Period, our Group experienced certain non-compliance incidents. A summary of our non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, the rectification actions that we have taken in respect of such incidents, as well as internal control measures we have adopted or plan to adopt to reduce non-compliance in the future are set out below.

**I. Non-compliance with the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)**

No.	Relevant sections of the ordinance	Particulars of the non-compliance incidents	Date of the incident(s)	Legal consequences and liabilities	Reasons for the non-compliance	Rectification actions and impact on our Group	Enhanced internal control measures
1.	Sections 6(1)(a) and 6(5) of the Noise Control Ordinance	Using powered mechanical equipment without valid construction noise permit	29 June 2014	Head Fame was fined HK\$30,000 by Environmental Protection Department.	The breaches were not willful and were due to the inadvertent oversight of the responsible staff and the absence of timely and professional advice at the material time. Our Directors had no direct or willful involvement in these breaches.	We have fully paid the fines. As advised by our Legal Counsel, since the penalties have been paid in full, Head Fame is not subject to any further penalty with respect to these non-compliance incidents.	Our Group has implemented the following internal control measures on 30 May 2017:  (i) The project manager has been appointed to closely monitor the safety environment of construction sites, including:  (a) preparation of a safety plan which includes the responsibilities of each parties, analysis of work hazard, process of handling injury, etc;  (b) persons who enter the construction sites are required to obtain a construction industry safety training certificate; and  (c) provision of protective equipment (including safety helmet), instructions to use, and safety guidelines to construction workers before entering the construction sites. Workers need to sign on “acknowledgement form for personal protective equipment” to acknowledge the receipt of the aforesaid;
2.	Sections 6(2)(a) and 6(5) of the Noise Control Ordinance	Carrying out prescribed construction work in designated area without valid construction noise permit	29 June 2014	Head Fame was fined HK\$30,000 by Environmental Protection Department.			(ii) a safety committee has been established to oversee and implement the safety management system, ensure the system in place is in compliance with the relevant health, safety and environmental standards and consider feedback from employees and subcontractors concerning our current workplace safety measures. The committee is also responsible for enforcing safety policies, review and assess safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations. The committee holds monthly meeting with our safety officer who is an independent safety consultant.  (iii) We have also engaged an independent safety consultant as our safety officer to perform site visits to ensure all safety measures are placed in the construction.

**II. Non-compliance with the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong) and the Lifting Appliances and Lifting Gear Regulations (Chapter 59J of the Laws of Hong Kong) made under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)**

No.	Relevant sections of the regulation	Particulars of the non-compliance incidents	Date of the incident(s)	Legal consequences and liabilities	Reasons for the non-compliance	Rectification actions and impact on our Group	Enhanced internal control measures
1.	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Failing to take adequate steps to prevent person from falling	9 March 2015 14 April 2015 11 May 2016 10 January 2017 10 January 2017 7 March 2017 7 March 2017	Head Fame was fined HK\$38,000, HK\$55,000, HK\$60,000, HK\$15,000, HK\$15,000, HK\$30,000 and HK\$35,000 respectively by Labour Department.	The breaches were not willful and were due to the inadvertent oversight of the responsible staff and the absence of timely and professional advice at the material time. Our Directors had no direct or willful involvement in these breaches.	We have fully paid the fines. As advised by our Legal Counsel, since the penalties have been paid in full, Head Fame is not subject to any further penalty with respect to these non-compliance incidents.	Our Group has implemented the following internal control measures on 30 May 2017:  (i) The project manager has been appointed to closely monitor the safety environment of construction sites, including:  (a) preparation of a safety plan which includes the responsibilities of each parties, analysis of work hazard, process of handling injury, etc;  (b) persons who enter the construction sites are required to obtain a construction industry safety training certificate; and  (c) provision of protective equipment (including safety helmet), instructions to use, and safety guidelines to construction workers before entering the construction sites. Workers need to sign on “acknowledgement form for personal protective equipment” to acknowledge the receipt of the aforesaid;
2.	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Failing to ensure safe access to and egress from place of work was provided and/or maintained	9 March 2015 11 May 2016	Head Fame was fined HK\$15,000 and HK\$16,000 respectively by Labour Department.	For the recurrence of non-compliances with the Construction Sites (Safety) Regulations, despite the implementation of our Group’s enhanced internal control measures in May 2017, the non-compliances were caused by subcontractors who failed to follow and implement the safety plan of our Group.	Our Legal Counsel has estimated the penalty as a fine of HK\$65,000 on guilty plea and no prison term will be imposed as the charge is brought against Head Fame.	(ii) a safety committee has been established to oversee and implement the safety management system, ensure the system in place is in compliance with the relevant health, safety and environmental standards and consider feedback from employees and subcontractors concerning our current workplace safety measures. The committee is also responsible for enforcing safety policies, review and assess safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations. The committee holds monthly meeting with our safety officer who is an independent safety consultant.  (iii) We have also engaged an independent safety consultant as our safety officer to perform site visits to ensure all safety measures are placed in the construction.
3.	Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Failing to ensure use of protective goggles or screens by workman	9 March 2015	Head Fame was fined HK\$16,000 by Labour Department.	Our Legal Counsel has estimated the penalty as a fine of HK\$20,000 on guilty plea and no prison term will be imposed as the charge is brought against Head Fame.		

No.	Relevant sections of the regulation	Particulars of the non-compliance incidents	Date of the incident(s)	Legal consequences and liabilities	Reasons for the non-compliance	Rectification actions and impact on our Group	Enhanced internal control measures
4.	Regulations 38F(1)(a)(iv), 38F(1)(b), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations	Failing to ensure inspection of scaffold by a competent person at regular intervals	11 May 2016	Head Fame was fined HK\$5,000 by Labour Department.			
5.	Regulations 51(1), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Failing to ensure that no timber or material with projecting nails were left on construction site	10 January 2017	Head Fame was fined HK\$3,000 by the Labour Department			
6.	Regulations 18(1)(d) and 19 of the Lifting Appliances and Lifting Gear Regulations	Failing to test and examine chain/rope/lifting gear before use	10 January 2017	Head Fame was fined HK\$5,000 by the Labour Department			
7.	Regulations 18(1)(e) and 19 of the Lifting Appliances and Lifting Gear Regulations	Failing to ensure examination of chain, rope and lifting gear	10 January 2017	Head Fame was fined HK\$5,000 by the Labour Department			
8.	Regulations 48(1)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	Failing to take all reasonable steps to ensure that no workman remained on the site unless the workmen were wearing suitable safety helmets	7 November 2017	Maximum penalty is a fine of HK\$50,000.		Our Legal Counsel has estimated the penalty as a fine of HK\$20,000 on guilty plea.	

### III. Non-compliance with the government lease, deed of mutual covenant, management agreement, occupation permit and the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

Relevant sections of the ordinance	Particulars of the non-compliance	Legal consequences and potential liabilities	Reason(s) of the non-compliance	Rectification actions and impact on our Group	Enhanced internal control measures
Section 25(1), 40(2) and 40(6) of the Buildings Ordinance	<p>Head Fame rented one workshop in an industrial building located in Laurels Industrial Centre as office (the "Former Office") from 1 May 2014 to 31 March 2016 where the land use of the Former Office is restricted to industrial purposes.</p> <p>Breach of the user restriction under the relevant occupation permit, which sets out that the Former Office can be used as workshop and ancillary services, accommodation for non-domestic use and breach of section 25(1) of the Buildings Ordinance for failure to notify the Building Authority regarding the change of land use.</p> <p>Breach of the deed of mutual covenant and management agreement which sets out that the units of the building cannot be used for any purpose other than industrial purposes or for any purpose which is in contravention of the Crown Grant or occupation permit.</p> <p>Breach of the land use restrictions set out in the government lease of the Former Office.</p>	<p>Our Group is liable on conviction to a maximum fine of HK\$100,000 and our Directors are liable on conviction to a maximum fine of HK\$100,000 and maximum imprisonment of two years under section 40(2) of the Buildings Ordinance. As advised by our Legal Counsel, the risk that our Group will be subject to any liabilities under section 40(2) of the Buildings Ordinance is not high.</p> <p>For the breach of the relevant deed of mutual covenant and management agreement, the incorporated owners or the manager of the building have a possible cause of action in civil law against our Group for an injunction restraining the use of the Former Office as an office and damages. Before we vacated the Former Office, no claim had been made against our Group by the incorporated owners or the manager of the building.</p> <p>According to the relevant government lease, the government is entitled to re-enter and take back possession of the lot where the Former Office is situated or enforce the terms of the government lease by applying for injunction through civil action against the respective owners. Before we vacated the Former Office, we had not received any notice of re-entry from the Government in relation to the Former Office. As advised by our Legal Counsel, considering that Head Fame had vacated the Former Office, our Legal Counsel is of the view that a civil action for injunction is now academic.</p>	<p>In reliance on our administrative staff who were not aware of the laws pertaining to the use of properties, our Group did not seek professional advice from any external professional parties prior to the commencement of the use of the Former Office. Our Directors had no direct or willful involvement in the breach.</p>	<p>Head Fame has relocated the office to Win Plaza on 23 March 2016 and the Former Office has been vacated.</p> <p>Given that (i) the risk of prosecution is low; (ii) we have relocated the new office and (iii) our Controlling Shareholders have executed the Deed of Indemnity, our Directors are of the view that the said compliance incident will not have any material financial and operational impact on us. Hence, no provision has been made in the financial statements of our Group in respect of the said non-compliance incident.</p>	<p>With effect from 23 December 2015, to ensure our ongoing compliance with Government lease, deed of mutual covenant and management agreement and occupation permit in respect of permitted use of properties, we will consult external lawyers to advise us.</p>



IV. Non-compliance with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Relevant sections of the ordinance	Particulars of the non-compliance regarding commencement of employment of the employees, which is required to be filed	Legal consequences and potential liabilities	Reason(s) of the non-compliance	Rectification actions and impact on our Group	Enhanced internal control measures
Non-compliance with sections 52(4) and 52(5) of the Inland Revenue Ordinance.	<p>Failing to submit the notice (Form IR56E) within three months after the commencement of employment of such employee. During the Track Record Period, the Company failed to submit 55 Form IR56E for 55 employees.</p> <p>Failing to submit the notice (Form IR56F) regarding cessation of employment of employees which is required to be filed within one month before the expected date of departure of such employee. During the Track Record Period, the Company failed to submit 36 Form IR56F for 36 employees.</p>	<p>Under section 80(1) of the Inland Revenue Ordinance, the maximum penalty for each offence is HK\$10,000.</p> <p>As advised by our Legal Counsel, the total maximum penalty of such non-compliance is HK\$910,000 and that a sum of HK\$3,000 for each incident is a fair estimate and the total fair penalty is HK\$273,000. Notwithstanding this, the chance of Inland Revenue Department taking any action is low, given that (i) Head Fame has submitted Forms IR56B<sup>(Note)</sup>, (ii) Head Fame has been duly filing Forms IR56E and IR56F since March 2017; and (iii) such non-compliances not involving tax evasion will usually be dealt with administratively by compounding in lieu of prosecution.</p>	<p>The breaches were not willful and were due to the inadvertent oversight of the responsible staff and the absence of timely and professional advice at the material time. Our Directors had no direct or willful involvement in the breach.</p>	<p>Upon inquiry with the Inland Revenue Department on 7 June 2017 by calling the general enquiry hotline of the Inland Revenue Department, we were informed that the outstanding Forms IR56E and IR56F were not required to be submitted since the relevant employer's return of remuneration and pensions (Form IR56B<sup>(Note)</sup>) had been submitted.</p> <p>After ascertaining the relevant legal requirements under the Inland Revenue Ordinance and adopting the enhanced compliance measures, all the Forms IR56E and IR56F (if applicable) for all employees of our Group who commenced employment since March 2017 have been duly filed with the Inland Revenue Department and there has not been any recurrence of similar types of non-compliances.</p>	<p>With effect from 28 March 2017, our Group has designated our human resources and administration department to maintain a checklist to record the details of all our new and resigned staff each month. The chief financial officer is responsible to monitor the human resources and administration department to complete the checklist to ensure Form IR56E and Form IR56F will be submitted to the Commissioner of Inland Revenue within the prescribed time limit in accordance with the requirements of the Inland Revenue Ordinance to avoid any non-compliance in the future.</p>
				<p>Given that (i) the chance of Inland Revenue Department taking action is low; (ii) as at the Latest Practicable Date, we had not received any request of the Inland Revenue Department for filing of the relevant forms; and (iii) our Controlling Shareholders have executed the Deed of Indemnity, our Directors are of the view that the said non-compliance incident will not have any material financial and operational impact on us. Hence, no provision has been made in the financial statements of our Group in respect of the said non-compliance incident.</p>	

*Note:* Although our Group failed to submit Forms IR56E and IR56F to the Inland Revenue Department, our Group has filed the Forms IR56B annually which contained, among other things, the identity each of the employees employed by our Group and their remunerations and pensions during the Track Record Period, allowing the Inland Revenue Department to be fully informed of the employment affairs of our Group and to compute the tax payable by our Group and the relevant employees respectively. Our Directors confirmed that our Group has not received any complaint or notice from the Inland Revenue Department that the Forms IR56B submitted by our Group contained incomplete or inaccurate information.

**V. Non-compliance with the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)**

Relevant sections of the regulation	Particulars of the non-compliance incidents	Date of the incident(s)	Legal consequences and liabilities	Reasons for the non-compliance	Rectification actions and impact on our Group	Enhanced internal control measures
Sections 27(3) and 150 of the Public Health and Municipal Services Ordinance	Larvae of mosquitoes and pupae of mosquitoes were found in an accumulation of water on the building site	22 September 2017	Head Fame was fined HK\$3,000 by Food and Environmental Hygiene Department	The breaches were not willful and were due to the inadvertent oversight of relevant responsible staff and absence of timely implementation of the internal control measures at a new construction site. Our Directors had no direct or willful involvement in these breaches.	We have fully paid the fines. As advised by our Legal Counsel, since the penalties have been paid in full, Head Fame is not subject to any further penalty with respect to these non-compliance incidents.	With effect from October 2017, our Group has established a policy to require all construction sites to review the accumulation of water or mosquito prevention actions within the building sites. According to such policy, the site supervisor is required to maintain and sign on a weekly anti-mosquito action checklist and report any non-compliance incident noted.
	Larvae of mosquito were found on the premises consisting of a building site	26 September 2017	Head Fame was fined HK\$3,000 by Food and Environmental Hygiene Department			

**Indemnity given by our Controlling Shareholders**

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 25 July 2018 pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities which may arise as a result of any non-compliance of our Group with the applicable laws, rules or regulations on or before the Listing Date. Further details of the Deed of Indemnity are set out in the section headed “Other Information — 13. Tax and other indemnities” in Appendix IV to this prospectus.

Having taken into account (i) the underlying causes and nature of our Group’s non-compliance; (ii) the non-compliance were not willful and there was no indication that our executive Directors had a willful tendency to operate our business in a non-compliant manner; (iii) after becoming aware of the non-compliances and after considering the advice of our Legal Counsel, our Directors have taken relevant remedial actions where necessary and appropriate; and (iv) after adopting the enhanced internal control measures as set out above, there has not been any recurrence of similar types of non-compliances and there was no indication that our Directors lack the ability to operate the business in a fully compliant manner after adopting the preventative measures, our Directors are of the view, and the Sponsor concurs, that the non-compliances do not reflect, in any material respect, negatively on the ability and tendency of our Company and our Directors to operate in a compliant manner.

Furthermore, taking into account (i) the aforesaid non-compliances were mainly due to over-sight or misunderstanding of certain provisions of the ordinances; (ii) the aforesaid non-compliances did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; and (iii) our Directors have adopted the enhanced internal control measures as set out above, the Sponsor considered that these non-compliances do not reflect a material defect in the character, integrity or experience of our Directors and their suitability to act as the Directors under Rules 3.08 and 3.09 of the Listing Rules. Furthermore, given the rectification status of the non-compliances identified as well as the Deed of Indemnity given in favour of us by our Controlling Shareholders, our Directors are of the view, and the Sponsor concurs, that the abovementioned non-compliances do not affect our suitability of Listing under Rule 8.04 of the Listing Rules.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliances as our Directors have taken into consideration the following factors: (i) up to the Latest Practicable Date, save as disclosed above, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the above non-compliance; (ii) as advised by our Legal Counsel, the likelihood of our Group or our officers being prosecuted, fined or penalised as a result of the non-compliance incidents is remote; and (iii) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. In preparation for the Listing and to further improve our internal control system, in January 2017, we engaged RSM Consulting (Hong Kong) Limited as our internal control consultant (the “IC Consultant”) to perform an evaluation under the Committee of Sponsoring Organisations of the Treadway Commission’s 2013 framework of the adequacy and effectiveness of our Group’s internal control system including the areas of financial, operation, compliance and risk management.

Our IC Consultant has been engaged as an internal control adviser to provide internal control review services for more than 30 companies which are listed on the Stock Exchange. The key member of its engagement team has over 20 years of experience in risk management, internal auditing and internal control review as well as a Master’s degree in Corporate Governance. The key member is also a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Other members of the engagement team also have professional qualifications in accounting and experience in auditing and risk advisory services.

In March 2017, the IC Consultant completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, financial reporting and disclosure, human resources and payroll, cash management and treasury, sales and receipts cycle, project management and compliance procedures with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In order to strengthen our internal control system and aside from the key measures taken to prevent the recurrence of the non-compliance incident stated in the paragraph headed “Non-compliance” in this section, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

**(i) *Customer concentration risk***

Please refer to the paragraph headed “Customers — Customer concentration” above in this section.

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

Please refer to the paragraph headed “Operation flow — Implementation phase — monitoring and control of project costs and progress” above in this section.

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

Please refer to the paragraph headed “Customers — Credit policy” above in this section.

***(iv) Liquidity risk***

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on unsecured bank borrowings as a significant source of liquidity and the management monitors the utilisation of unsecured bank borrowings.

***(v) Quality control***

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

***(vi) Occupational health and safety***

Please refer to the paragraph headed "Occupational health and safety" above in this section.

***(vii) Environmental management***

Please refer to the paragraph headed "Environmental protection" above in this section.

***(viii) Corporate governance***

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with Controlling Shareholders — Corporate governance measures to safeguard the interest of Shareholders" 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.

*Risk relating to compliance with the Listing Rules after Listing*

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

- We shall establish system and manuals in relation to, among others, distribution of annual or interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.
- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on 25 May 2017 on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We will engage the IC Consultant to have an annual review on the adequacy and effectiveness of our internal control system for the financial year ending 31 March 2019, including areas of financial, operational, compliance and risk management.

## BUSINESS

- We have agreed to engage Dakin Capital as our compliance adviser and will, upon Listing, engage a legal adviser 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.
- We have established an audit committee which comprises all independent non-executive Directors, namely Mr. Szeto Cheong Mark, Mr. Hau Wing Shing Vincent and Mr. Wan Simon. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.
- 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.

In May 2018, the IC Consultant performed a follow up review on our internal control system and we did not note any findings of material weakness or insufficiency in our Group’s internal control system.

Our Directors confirm, and the Sponsor concurs, that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **OUR CONTROLLING SHAREHOLDERS**

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme), each of our ultimate Controlling Shareholders, Mr. KT Chan and Mr. KM Chan, acting in concert as a group of Controlling Shareholders and through Shiny Golden (an investment holding company owned as to 50% by Mr. KT Chan and Mr. KM Chan), will indirectly hold in aggregate 67.5% interest in our Company. Please refer to the section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

### **RULE 8.10 OF THE LISTING RULES**

Each of our Controlling Shareholders and Directors has confirmed that he/it does not have and his/its respective close associates do not have interest in any 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.

### **ACTING IN CONCERT CONFIRMATION**

In preparation for the Listing, on 26 May 2017, Mr. KT Chan and Mr. KM Chan executed the Acting in Concert Confirmation, pursuant to which Mr. KT Chan and Mr. KM Chan confirmed that they had been acting in concert with one another during the Track Record Period and would continue to act in the same manner in our Group after the Listing until the Acting in Concert Confirmation is terminated in writing.

Under the acting in concert arrangements, Mr. KT Chan and Mr. KM Chan had exercised their voting rights unanimously at all shareholders’ meetings of Head Fame in respect of the management, operations and financial matters.

Mr. KT Chan and Mr. KM Chan also undertake that (i) they shall continue to reach unanimous decisions among themselves on all management, operations and financial matters of our Company and its subsidiaries; (ii) they shall continue to cast unanimous vote collectively for or against all board resolutions and/or shareholders’ resolutions to be passed at any board meetings and/or shareholders’ meetings of our Company and its subsidiaries; (iii) they shall continue to maintain and centralise the ultimate control and management with respect to our Company and its subsidiaries by way of mutual cooperation and each of them shall procure the director(s) nominated by each of them to the board of directors of our Company and its subsidiaries, if any, to work together in the same manner; (iv) they shall continue to keep each other fully informed in respect of any changes on each of their direct or indirect interests in any securities of our Company and its subsidiaries; and (v) they shall obtain consent from the other party to the Acting in Concert Confirmation in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any securities of our Company and its subsidiaries.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

#### **Financial independence**

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. We will have sufficient capital to operate our business independently in view of our adequate internal resources and the estimated net proceeds from the Share Offer.

Our Directors confirmed that during the Track Record Period and as of the Latest Practicable Date, save for the personal guarantees and legal charges/mortgages over properties set forth in note 22 to the Accountants' Report in Appendix I to this prospectus, none of the Controlling Shareholders or their respective close associates had provided any guarantees to our Group in respect of the banking facilities.

During the Track Record Period and as at the Latest Practicable Date, our Directors and Controlling Shareholders, Mr. KT Chan and Mr. KM Chan, had provided personal guarantees and collateral security for surety bonds issued by authorised insurers and banks, three of which remained outstanding as at the Latest Practicable Date. For further information, please refer to note 32 to the Accountants' Report in Appendix I to this prospectus.

Our Directors confirmed that these outstanding personal guarantees and/or collateral security for the aforesaid banking facilities and surety bonds would be released upon Listing and would be replaced by corporate guarantee and/or certain amount of pledged deposits from our Company.

During the Track Record Period, our Group had certain amounts due from/to Mr. KT Chan and Mr. KM Chan, details of which are set out in note 19 to the Accountants' Report. During the year ended 31 March 2017, the shareholders of Head Fame agreed to repay the dividends of HK\$19.8 million by way of set-off against the amounts due from directors. As at 31 March 2018, the balance of the amounts due from directors and amounts due to directors are approximately HK\$2.4 million and HK\$3.9 million respectively. The outstanding amount of amounts due from directors as at 31 March 2018 was fully settled by way of dividend declaration on 30 May 2018 and all balances due to directors were fully settled as at Latest Practicable Date.

Save as disclosed above in this paragraph, our Directors confirmed that there was no other financial assistance, security or guarantee provided by our Directors or their respective close associates in favour of our Group or vice versa during the Track Record Period and as of the Latest Practicable Date.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after Listing.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### Operational independence

Having considered that (a) we have established our own operational structure comprising individual teams, 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) all relevant licenses, the registered trademarks and other intellectual property necessary or desirable for our business have been registered in or have been applied to be registered under the name of our Group; (d) 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 (e) save for the related party transactions (i.e. the lease agreement and disposal of motor vehicle) set out in note 27 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that no services, premises and facilities were provided by the Controlling Shareholders and/or their associates to our Group during the Track Record Period. Accordingly, our Group's business operation is independent from our Controlling Shareholders and their close associates.

The registered general building contractor licence of Head Fame is material to our business operations in Hong Kong and for the purpose of maintaining such licence, there must be a Technical Director at Head Fame who is also a director of Head Fame. Mr. KM Chan was the only Technical Director in respect of the registered general building contractor licence of Head Fame in the past. In the event that Mr. KM Chan ceases to act as a Technical Director for Head Fame and no acceptable replacement could be appointed by our Group within a reasonable period of time, our Group must suspend all our building works immediately. The Buildings Department does not provide any definition on "reasonable period of time". To the best knowledge and belief of our Directors, a period of around three to six months is generally allowed by the Buildings Department for appointing acceptance replacement.

In order to operate independently from Mr. KM Chan, our Group has submitted an application to the Buildings Department in May 2017 for the addition of Mr. Wan Sze Hok Wilson, our senior manager, as a new Technical Director of our Group in addition to Mr. KM Chan. On 25 August 2017, the Buildings Department has approved Mr. Wan Sze Hok Wilson to act as a Technical Director of our Group. We have further submitted applications to the Buildings Department for the addition of two new Authorised Signatories, being Mr. Wan Sze Hok Wilson and Mr. Ho Chi Lai Johnny both of whom are members of our senior management. Up to the Latest Practicable Date, we are in the application process. Our Directors believe that the two proposed candidates can fulfill the requirements as stipulated in the Buildings Ordinance and our Group is not made aware of any impediment for such applications. Therefore, our Directors are of the view that our Group is able to operate independently from the Controlling Shareholders after the Listing.

Notwithstanding the aforesaid, we are led by a management team with extensive experience and technical expertise in the construction industry. Please refer to the section headed "Directors and Senior Management" for further details. Accordingly, our Directors consider that our Group's business operation to be independent from our Controlling Shareholders and their close associates.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **Management independence**

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of five members, comprising of two executive Directors and three independent non-executive Directors. Although our Controlling Shareholders, namely Mr. KT Chan and Mr. KM Chan, will simultaneously be our executive Directors and retain a controlling interest in our Company after the Listing, we consider that our Board and team of management will function independently because:

- (a) each of our Directors is aware of his or her 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 does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (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 meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- (c) with three independent non-executive Directors out of a total of five Directors in our Board, there will be a sufficiently robust and independent voice to the decision-making process of our Board to protect the interests of our independent Shareholders; and
- (d) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

### **DEED OF NON-COMPETITION**

For the purpose of the Listing, each of our Controlling Shareholders, Mr. KT Chan, Mr. KM Chan and Shiny Golden (collectively, the "Covenantors") has given certain non-competition undertakings in favour of our Company (for itself and as trustee for and on behalf of other members of our Group) under the Deed of Non-competition, pursuant to which each of the Covenantors, irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group) on the following terms with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders:

- (i) undertaking not to engage in competing business: each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through our Group), whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(save for the holding in aggregate by the Covenantors and their close associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (“**Restricted Business**”);

- (ii) undertaking not to solicit staff etc.: each of the Covenantors:
  - a. will not, and will procure his/its close associates (other than our Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
  - b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person;
  - c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as a Controlling Shareholder for any purposes other than for the exercise of shareholders’ rights; and
  - d. will address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time;
- (iii) undertakings in respect of new business opportunity: if each of the Covenantors and/or any of his/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall:
  - a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing (“**Offer Notice**”) of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
  - b. use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than our Group).

If our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantors within 30 business days from our Group’s receipt of the Offer Notice, the Covenantors will be entitled to pursue the New

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Business Opportunity. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Group requires further time to assess the New Business Opportunity by giving a written notice to the Covenantors within the original period of 30 business days.

(iv) general undertakings: each of the Covenantors shall:

- a. provide our Company and our Directors (from time to time) with all information necessary and requested by the independent non-executive Directors, including but not limited to monthly turnover records and other relevant documents considered necessary by the independent non-executive Directors for their annual review with regard to the compliance and/or enforcement of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
- b. provide our Group, after the end of each financial year of our Company, with a declaration made by each of the Covenantors which shall state whether or not he/it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, where such declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year and such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of our Group;
- c. allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition; and
- d. on demand do all such acts and things and execute all such deeds and documents as may be necessary to carry into effect or give legal effect to the provisions of the Deed of Non-competition and the transactions contemplated.

Each of the Covenantors has undertaken to our Company that he/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) we will comply with the Listing Rules and, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) we have appointed Dakin Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the meetings of the Board on matters in which such Director or his/her close associates have an actual or potential material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) we have appointed three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will conduct annual review on the compliance of the Deed of Non-competition and the enforcement thereby by our Company. We believe our independent non-executive Directors possess the experience competence and integrity, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus;
- (e) our Controlling Shareholders have undertaken and agreed 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
- (f) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement to the public.

## DIRECTORS AND SENIOR MANAGEMENT

### GENERAL

The following table sets out certain information in respect of our Directors and senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director/senior management	Relationship with Directors and Other senior management	Roles and responsibilities
<b>Directors</b>						
Mr. KT Chan (陳金棠)	56	Chairman and executive Director  Chairman of the nomination committee	17 October 1985	11 May 2017	Cousin of Mr. KM Chan	Overall strategic planning, business development, corporate management and sales and marketing of our Group
Mr. KM Chan (陳金明)	55	Chief executive officer and executive Director  A member of the remuneration committee	17 October 1985	11 May 2017	Cousin of Mr. KT Chan	Formulating corporate and business strategies and making major operation decisions
Mr. Hau Wing Shing Vincent (侯穎承)	46	Independent non-executive Director  A member of the audit committee and nomination committee	24 July 2018	24 July 2018	N/A	Providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct
Mr. Szeto Cheong Mark (司徒昌)	49	Independent non-executive Director  Chairman of the audit committee and a member of the remuneration committee	24 July 2018	24 July 2018	N/A	Providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as a Director/senior management	Relationship with Directors and Other senior management	Roles and responsibilities
Mr. Wan Simon (溫耀祥)	50	Independent non-executive Director  Chairman of the remuneration committee, and a member of the audit committee and nomination committee	24 July 2018	24 July 2018	N/A	Providing independent judgement on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct
<b>Senior Management</b>						
Mr. Wan Sze Hok Wilson (溫士學)	68	Contracts manager	25 January 2016	25 January 2016	N/A	Administering overall tender bidding, contracts including main contracts and subcontracts, and budget control of the project construction
Mr. Lee Kam Meng (李金明)	63	General site supervisor	1 November 2015	1 November 2015	N/A	Providing overall safety management, site supervision and maintenance of construction buildings
Mr. Ho Chi Lai Johnny (何志禮)	55	Project manager	27 March 2006	27 March 2006	N/A	Overall monitoring the construction projects, cost estimation, managing the quality management system and administering tendering works of our Group
Mr. Wong Chi Chui (黃智取)	47	Chief financial officer and company secretary	21 March 2017	21 March 2017	N/A	Overseeing our Group's finance and accounts function and internal controls; providing financial and business advice to the Board and senior management of our Group

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. KT Chan** (陳金棠), aged 56, is the chairman of the Board and an executive Director. He was appointed as a Director on 11 May 2017 and was redesignated as an executive Director and appointed as the chairman of the Board on 25 July 2018. Mr. KT Chan is the co-founder of Head Fame and has been a director of that company since 22 April 2002. Mr. KT Chan is responsible for the overall strategic planning, business development, and corporate management and sales and marketing of our Group.

Mr. KT Chan has over 32 years of experience in the construction industry since his joining in Head Fame in 1985. Mr. KT Chan also holds public position in the construction industry. He is currently a director of Hong Kong General Building Contractors Association Limited and a Council Member of the Eighth Committee of Hong Kong General Building Contractors Association.

Mr. KT Chan obtained a Bachelor of Science Degree in Construction Engineering & Management from The Queen's University of Brighton in July 2006. He completed a long distance course and obtained an Entrepreneur MBA Certificate for construction industry awarded by Distance Education College of Fudan University (復旦大學網路教育學院) in September 2006.

Pursuant to Rule 13.51(2)(1) of the Listing Rules, the following sets out the companies which have been dissolved other than by members' voluntary winding up when Mr. KT Chan was a director or within 12 months after he ceased to be a director of such companies:

	Principal business activity immediately prior to cessation of business	Date of dissolution	Details	
1.	Name of company Firco International Limited	Provision of hotel supplies principally in mainland China	25 July 2003	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )
2.	Name of company Kenley Development Limited	Provision of hotel supplies principally in mainland China	18 February 2005	A Hong Kong incorporated company dissolved by striking off under section 291(6) of the Predecessor Companies Ordinance ( <i>Note 2</i> )
3.	Name of company Gold Fine Construction Engineering Limited	Performing construction works as a subcontractor in Hong Kong	3 July 2009	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )



## DIRECTORS AND SENIOR MANAGEMENT

*Notes:*

- (1) Under section 291AA of the Predecessor Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application for de-registration; and (c) such company has no outstanding liabilities.
- (2) Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period.

Mr. KT Chan confirms that prior to their dissolutions, each of the above companies was solvent. Mr. KT Chan further confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution and struck-off of such companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution and struck-off of such companies. Given that the dissolutions of the above companies did not involve any dishonesty or fraudulent act on the part of Mr. KT Chan, and did not raise any questions as to the integrity of Mr. KT Chan, our Directors are of the view, and the Sponsor concurs, that Mr. KT Chan is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

**Mr. KM Chan (陳金明)**, aged 55, is the chief executive officer and an executive Director of our Company. He was appointed as a Director on 11 May 2017 and was redesignated as an executive Director and appointed as the chief executive officer of our Company on 25 July 2018. Mr. KM Chan is the co-founder of Head Fame and has been a director of that company since 5 February 2001. Mr. KM Chan is responsible for formulating corporate and business strategies and making major operation decisions of our Group.

Mr. KM Chan has over 32 years of experience in the construction industry since his joining in Head Fame in 1985. Mr. KM Chan has been the Authorised Signatory and a Technical Director of Head Fame since September 1999 and August 2002 respectively. His responsibilities in our Group include formulating and determining corporate and business strategies and making major operation decisions, monitoring the business operations, estimating the construction projects, administrating tendering matters, reviewing and approving main contracts and subcontracts.

Mr. KM Chan completed various part-time professional courses held by Construction Industry Training Authority, including demolition of building course for supervisors in 1999/2000 year, courses for qualifying site supervisors as technically competent persons equivalent certificate (1) in 2001/2002 year and courses equivalent certificate (3) in 2002/2003 year. In May 2001, Mr. KM Chan was registered as a member in good standing of the Contractor's Authorised Signatory Association Ltd.

Mr. KM Chan was a director of Deluxe Win Development Limited ("**Deluxe Win**"), which was an investment holding company incorporated in Hong Kong prior to its dissolution. Due to cessation of business, Deluxe Win was dissolved by de-registration pursuant to section 291AA(9) of the Predecessor Companies Ordinance on 8 July 2005. Mr. KM Chan confirms that Deluxe Win was solvent at the time of its dissolution.

Mr. KM Chan further confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of the abovementioned company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such company. Given that

## DIRECTORS AND SENIOR MANAGEMENT

the dissolution of the above company did not involve any dishonesty or fraudulent act on the part of Mr. KM Chan, and did not raise any questions as to the integrity of Mr. KM Chan, our Directors are of the view, and the Sponsor concurs, that Mr. KM Chan is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

### Independent Non-executive Directors

**Mr. Hau Wing Shing Vincent (侯穎承)**, aged 46, was appointed as an independent non-executive Director on 24 July 2018. He is also a member of the audit committee and nomination committee of our Company. He is primarily responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Hau obtained his bachelor's degree in laws from The University of Hong Kong in December 1994. Mr. Hau was admitted in August 1997 as a solicitor of the High Court of the Hong Kong Special Administrative Region and is still currently practising as a solicitor. He served as an assistant solicitor in Joseph S.C. Chan & Co. Solicitors from August 1997 and later served as a partner from September 2000 to May 2006. Since May 2006, Mr. Hau has been serving as a senior partner in Messrs. V. Hau & Chow. He is now the honorary legal advisors of Hong Kong Chinese Civil Servants' Association, Hong Kong Nurses General Union and Shining Stars Foundation Hong Kong.

Mr. Hau focuses his practice on commercial transactions, litigation, banking and insolvency. He has experience in advising on compliance matters for listed companies and handling criminal cases involving directors of a wholly-owned subsidiary of a company listed on the Stock Exchange. Since November 2015, Mr. Hau has been a director of WLS Limited, which is a subsidiary of Milan Station Holdings Limited (stock code: 1150) and is engaged in retailing of spa and wellness products. Mr. Hau is in charge of the business operation, cash flow and compliance matters for WLS Limited and assists to prepare and review the commercial documents for Milan Station Holdings Limited.

Mr. Hau was a director of Tim Dynamic International Company Limited ("**Tim Dynamic**"), which was a limited company selling cctv systems in Hong Kong prior to its dissolution. Due to cessation of business, Tim Dynamic was dissolved by de-registration pursuant to section 291AA(9) of the Predecessor Companies Ordinance on 8 June 2012. Mr. Hau confirms that Tim Dynamic was solvent at the time of its dissolution.

Mr. Hau further confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of the abovementioned company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of such company. Given that the dissolution of the above company did not involve any dishonesty or fraudulent act on the part of Mr. Hau, and did not raise any questions as to the integrity of Mr. Hau, our Directors are of the view, and the Sponsor concurs, that Mr. Hau is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

**Mr. Szeto Cheong Mark (司徒昌)**, aged 49, was appointed as an independent non-executive Director on 24 July 2018. He is also the chairman of the audit committee and a member of the remuneration committee of our Company. He is primarily responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Szeto has approximately 23 years of experience in finance and accounting. Mr. Szeto is currently serving as managing director in Sevaa Capital Limited and simultaneously as an individual providing business advisory services. Prior to this, he served as the chief executive officer in Glorious FX Limited and resigned in May 2018 where he was responsible for the group's investment activities. From November 2004 to April 2010, Mr. Szeto served and participated in numerous project financing and restructuring transactions in financial institutions and companies. Over the period, he served in various positions at Standard Chartered Bank, among which included a director of the strategic client coverage group where he was responsible for the origination for corporate finance and capital markets businesses. His last position at Standard Chartered Bank was a director of the GM structured trade finance department. From July 1996 to June 1997, he worked as a manager in the project finance team at a financial advisory company, Peregrine Fixed Income Limited. In 1995, he started to work as an analyst in the Asia project finance group and continued in that role up to June 1996 at Lehman Brothers Asia Holdings Limited where he performed financial analyses and participated in contract negotiations.

Mr. Szeto obtained his bachelor's degree of science in human biology and a master's degree of MBA in accounting from University of Toronto in June 1990 and June 1992 respectively. He obtained the certificate of membership from American Institute of Certified Public Accountants in May 1994 and became an associate of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants ("HKICPA")) in September 1994.

**Mr. Wan Simon (溫耀祥)**, aged 50, was appointed as an independent non-executive Director on 24 July 2018. He is also the chairman of the remuneration committee, and a member of the audit committee and nomination committee of our Company. He is primarily responsible for providing independent judgment on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct of our Group.

Mr. Wan Simon has nearly 24 years of experience in the sales and marketing of the building materials or interior products. Prior to joining our Group, he worked in several companies where his role was liaising with main contractors to execute subcontract works in each construction project, like providing technical skills and solutions to installation works and ensuring the suitability of building materials or interior products. He served six years in Milliken & Company till November 2000 with his last position as senior territory manager. Milliken & Company operates in a breadth of disciplines including specialty chemical, floor covering and performance materials. From May 2001 to February 2002, he worked as project manager in Herman Miller Hong Kong Ltd., a furniture company. From April 2003 to September 2004, he worked at Dupont Textiles & Interiors (Hong Kong) Limited (now known as INVISTA (Hong Kong) Ltd.) as regional maintenance operations manager.

Since December 2004, Mr. Wan Simon has been working in Sebel Furniture (Hong Kong) Limited, which is a leading manufacturer and supplier of educational and school furniture. His current position is regional manager, Asia and his duty is to sustain business growth through regional and local expansion plans within key market segments through direct and channel distribution and to prepare and manage tender packages that require additional technical knowledge during the bidding process to marginalise over potential errors.

Mr. Wan Simon obtained his bachelor's degree of science in building from South Bank University in June 1992.

## DIRECTORS AND SENIOR MANAGEMENT

None of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed “Statutory and General Information” in Appendix IV to this prospectus for further information about our Directors, including the particulars of their service contracts and remuneration, and details of the interests of our Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

### Senior Management

**Mr. Wan Sze Hok Wilson (溫士學) (“Mr. Wilson Wan”)**, aged 68, is the contracts manager of our Group. He joined our Group in January 2016 as the contracts manager of Head Fame and served as a director of Head Fame from 22 May 2017. Mr. Wilson Wan is responsible for administering overall tender bidding, contracts including main contracts and subcontracts, and budget control of the project construction in our Group.

Mr. Wilson Wan has over 38 years of experience in the construction industry. Prior to joining our Group, Mr. Wilson Wan had handled various types of construction activities including demolition works, piles foundation works, alteration and addition works, building construction, government works and historical building renovation in Hong Kong. He worked in Cheong Ming Construction & Engineering Co., Ltd. from June 1979 to November 1987 with his last position as site quantity surveyor. He served as quantity surveyor in Kumagai Gumi (Hong Kong) Limited from December 1987 to May 1990 and as a senior quantity surveyor in Wah Seng General Contractors Ltd. from April 1995 to August 2005. From November 2007 to October 2015, he served New City Construction Co., Ltd where his last position was contract manager and Technical Director.

Mr. Wilson Wan obtained a higher certificate in building studies from Hong Kong Polytechnic University in November 1988 and a bachelor of science degree with a major in construction management with emphasis in quantity surveying from Pacific Western University in February 1990. He also obtained a bachelor of engineering technology degree and a master of construction engineering and management degree from Griffith University in March 2008 and September 2005 respectively. He further graduated from City University of Hong Kong with the degree of engineering doctorate in July 2014.

Mr. Wilson Wan was admitted as a member of the Chartered Institute of Building and a member of the Institution of Civil Engineers in November 2007 and June 2008 respectively. In November 2012, Mr. Wilson Wan was elected as a professional member of the Royal Institution of Chartered Surveyors.

**Mr. Lee Kam Meng (李金明)**, aged 63, is the general site supervisor of our Group. He joined our Group in November 2015 as the supervisor of Head Fame and was promoted to general site supervisor. Mr. Lee’s duty is to manage and monitor overall site supervisions and all site activities of our projects.

Mr. Lee has over 40 years of on-hand experience in building construction where he started his career in a construction company, Shun Shing Construction & Engineering Co., Ltd. (“**Shun Shing**”) in 1977. After he resigned from Shun Shing in December 2009, he worked as a site agent in Leung Cheung Shing Construction & Engineering Co., Ltd. till February 2015. Within his services in this field, he has undergone major projects such as casino projects in Macau, administration building of Yan Chai Hospital, Leung King Estate public housing, etc.

## DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. Lee has been a safety officer registered in Hong Kong since June 1994. He obtained a diploma and a professional diploma in occupational health and safety from Li Ka Shing Institute of Professional and Continuing Education, Open University of Hong Kong in November 2006 and November 2009 respectively. Through his working experience, he was admitted as a member of Hong Kong Institute of Construction Managers in September 2004.

**Mr. Ho Chi Lai, Johnny** (何志禮), aged 55, is the project manager of our Group. Mr. Ho joined our Group in March 2006 as the project manager of Head Fame. Mr. Ho is responsible for the overall monitoring the construction projects, cost estimating, managing the quality management system and administrating tendering works of the Group.

Mr. Ho has over 30 years of experience in the construction and building works industry. Prior to joining our Group, Mr. Ho had participated in numerous residential, commercial and ASD projects in Hong Kong. He had served many construction companies, including but not limited to, an assistant engineer in WMKY Limited from April 1987 to April 1988, a project manager in Lee Shing Yue Construction Company, Limited from June 1998 to September 2000, and a site agent in Hong Kong Wai Yip Building Materials Limited (now known as Hong Kong Wai Yip Building Construction Limited) from September 2003 to May 2005.

Mr. Ho obtained an honours diploma in civil engineering from Hong Kong Baptist College in January 1986, a higher diploma in applied statistics from City Polytechnic of Hong Kong in November 1992 and a master of science in engineering management from City University of Hong Kong in November 2001. He then obtained a bachelor of engineering degree in civil engineering from The Queen's University of Brighton in October 2003.

The following sets out the companies which have been dissolved other than by members' voluntary winding up when Mr. Ho was a director or within 12 months after he ceased to be a director of such companies:

Name of company	Principal business activity immediately prior to cessation of business	Date of dissolution	Details
1. Sunning International Properties Limited	Investment holding	26 May 2006	A Hong Kong incorporated company dissolved by de-registration under section 291AA of the Predecessor Companies Ordinance ( <i>Note 1</i> )
2. Hop Shing Hong Construction Company Limited	Performing construction works in Hong Kong	16 June 2006	A Hong Kong incorporated company dissolved by striking off under section 291(6) of the Predecessor Companies Ordinance ( <i>Note 2</i> )

## DIRECTORS AND SENIOR MANAGEMENT

*Notes:*

- (1) Under section 291AA of the Predecessor Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application for de-registration; and (c) such company has no outstanding liabilities.
- (2) Under section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period.

Mr. Ho confirms that prior to their dissolutions, each of the above companies was solvent. Mr. Ho further confirms that there is no fraudulent act or misfeasance on his part leading to the dissolutions of the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of these companies. Given that the dissolutions of the above companies did not involve any dishonesty or fraudulent act on the part of Mr. Ho, and did not raise any questions as to the integrity of Mr. Ho, our Directors are of the view, and the Sponsor concurs, that Mr. Ho is suitable to act as a member of our senior management team.

**Mr. Wong Chi Chui (黃智取)**, aged 47, joined our Group in March 2017 as the chief financial officer of Head Fame. He was appointed as the chief financial officer of our Company on 25 July 2018.

Mr. Wong obtained a diploma in accounting from the School of Professional and Continuing Education of The University of Hong Kong in November 2000 and a bachelor of commerce accounting and accounting technologies degree from Curtin University of Technology in September 2003. He became an Associate and a Certified Practising Accountant of CPA Australia (“CPAA”) in August 2003 and September 2006 respectively and a certified public accountant of HKICPA in February 2007.

Mr. Wong has over 25 years of experience in the fields of accounting, auditing and compliance matters of listed companies. Prior to joining our Group, he served as an accounts clerk in Nanyang Commercial Bank, Limited from August 1992 to February 1994 and a senior accounts clerk in Wilson Freight (Far East) Limited (now known as GEODIS Hong Kong Limited) from February 1994 to April 1997. In May 1997, he joined Far East Engineering Services Ltd. as costing clerk and was promoted as assistant accountant in August 2000, and later was transferred to NWS Engineering Limited (now known as FSE Engineering Group Limited) in June 2003 and served as accountant from January 2006 to May 2007. From August 2007 to October 2010, Mr. Wong served as general financial manager and then as group financial controller in China Technology Development Group Corporation, a company listed in NASDAQ (stock code: CTDC), with last position held as a vice president.

From May 2012 to March 2017, Mr. Wong worked in Symphony Holdings Limited (stock code: 1223) where his last position was assistant chief financial officer. His key responsibilities included reporting to the chief financial officer, participating in the acquisition and disposal transactions, performing treasury functions like cash management and preparing monthly management accounts and financial reports in compliance with the Listing Rules, etc.

Save as disclosed above, none of our senior management holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

## DIRECTORS AND SENIOR MANAGEMENT

### COMPANY SECRETARY

**Mr. Wong Chi Chui** (黃智取), aged 47, is the company secretary of our Company. He was appointed as the company secretary of our Company on 11 May 2017. Please refer to the paragraph headed “Senior Management” in this section above for his biography.

### CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and include our corporate governance report in our annual reports after the Listing. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 25 July 2018.

### BOARD COMMITTEES

#### **Audit Committee**

Our Company established the audit committee on 25 July 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our audit committee comprises three independent non-executive Directors, namely Mr. Szeto Cheong Mark, Mr. Hau Wing Shing Vincent and Mr. Wan Simon. Mr. Szeto Cheong Mark is the chairman of our audit committee.

#### **Nomination Committee**

Our Company established the nomination committee on 25 July 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our nomination committee include, among others, (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 members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our nomination committee comprises two independent non-executive Directors, namely Mr. Hau Wing Shing Vincent and Mr. Wan Simon, and one executive Director, namely Mr. Chan Kam Tong. Mr. Chan Kam Tong is the chairman of our nomination committee.

## DIRECTORS AND SENIOR MANAGEMENT

### Remuneration Committee

Our Company established the remuneration committee on 25 July 2018 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our remuneration committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors. Our remuneration committee comprises two independent non-executive Directors, namely Mr. Wan Simon and Mr. Szeto Cheong Mark, and one executive Director, namely Mr. Chan Kam Ming. Mr. Wan Simon is the chairman of our remuneration committee.

### COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Dakin Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

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



## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION POLICY

#### Compensation of Directors and Senior Managers

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group is and will be formulated by our Board on the recommendations of the remuneration committee of our Company (comprising one executive Director and two independent non-executive Directors). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendations of the remuneration committee of our Company.

For each of the three years ended 31 March 2018, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid by our Group to our executive Directors was approximately HK\$780,000, HK\$780,000 and HK\$1,362,000, respectively.

For each of the three years ended 31 March 2018, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK\$2,616,000, HK\$3,630,000 and HK\$4,896,000, respectively.

Save as disclosed above, no other payments have been paid to our Directors or the five highest paid individuals of our Group for each of the three years ended 31 March 2018.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 March 2019 will be approximately HK\$1,565,000.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office for each of the three years ended 31 March 2018.

None of our Directors waived or agreed to waive any remuneration for each of the three years ended 31 March 2018.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **Employees' Remuneration and Retirement Benefit Schemes**

For details of our employees' remuneration and retirement benefit schemes, please refer to the section headed "Business — Employees — Remuneration policy".

### **Share Option Scheme**

Our employees may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Other Information — 12. Share Option Scheme" in Appendix IV to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

### 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 allotted and issued upon the exercise of any of the Adjustment Options or options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who are/will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held/interested immediately after completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Approximate percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Shiny Golden	Beneficial owner <i>(Note 3)</i>	540,000,000	67.5%
Mr. KT Chan	Interest in a controlled corporation <i>(Note 2)</i>	540,000,000	67.5%
Ms. Shu Ah Ping	Interest of spouse <i>(Note 4)</i>	540,000,000	67.5%
Mr. KM Chan	Interest in a controlled corporation <i>(Note 2)</i>	540,000,000	67.5%
Ms. Ng Wing Mui	Interest of spouse <i>(Note 5)</i>	540,000,000	67.5%
UG	Beneficial owner <i>(Note 6)</i>	40,000,000	5%
UG Capital Limited	Investment manager <i>(Note 7)</i>	40,000,000	5%

*Notes:*

- All interests stated are long positions.
- Shiny Golden is beneficially owned as to 50% by Mr. KT Chan and 50% by Mr. KM Chan. On 26 May 2017, Mr. KT Chan and Mr. KM Chan entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, see “Relationship with Controlling Shareholders — Acting in Concert Confirmation”. By virtue of the SFO, Mr. KT Chan and Mr. KM Chan are deemed to be interested in all the Shares held by Shiny Golden.

## SUBSTANTIAL SHAREHOLDERS

3. Shiny Golden is the direct Shareholder of our Company.
4. Ms. Shu Ah Ping is the spouse of Mr. KT Chan. Accordingly, Ms. Shu Ah Ping is deemed or taken to be interested in the Shares Mr. KT Chan is interested in under the SFO.
5. Ms. Ng Wing Mui is the spouse of Mr. KM Chan. Accordingly, Ms. Ng Wing Mui is deemed or taken to be interested in the Shares Mr. KM Chan is interested in under the SFO.
6. UG is the direct Shareholder of our Company, which is legally owned as to one voting share by UG Capital Limited and 11,600 non-voting shares by other independent third parties.
7. UG Capital Limited is the investment manager of UG. UG Capital Limited is deemed to be interested in all the Shares in which UG is interested by virtue of the SFO. UG Capital Limited is wholly-owned by Mr. Lau Chi Yin Thomas. To the best knowledge of our Directors, each of UG, UG Capital Limited and Mr. Lau Chi Yin Thomas is an independent third party.

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any of the Adjustment Options or options that may be granted under the Share Option Scheme), has an interest or short position in the Shares or the 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

### SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme):

<i>Authorised share capital</i>		<i>HK\$</i>
1,500,000,000	Shares of par value HK\$0.01 each	<u>15,000,000</u>
 <i>Shares issued and fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer</i>		
30,000	Shares in issue as at the date of this prospectus	300
599,970,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,700
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u>	Total issued Shares	<u>8,000,000</u>

### ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase the Shares as referred to below.

### MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 200,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon listing.

### RANKING

The Offer Shares are ordinary shares and will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid on Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

### CAPITALISATION ISSUE

Pursuant to the resolutions in writing of the Shareholders passed on 25 July 2018, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 599,970,000 Shares (or any such number of Shares any one Director may determine)

## SHARE CAPITAL

credited as fully paid at par to the Shareholders on the register of members or the principal share register of our Company at the close of business on 25 July 2018 as nearly as possible in proportion to their then existing shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of Share) by way of capitalisation of the sum of HK\$5,999,700 (or any amount any one Director may determine) standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issue Shares.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” of this prospectus, 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 total number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme or any other share option scheme of our Company or in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate.

For further details of this general mandate to issue Shares, see “Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of the Shareholders passed on 25 July 2018” in Appendix IV to this prospectus.

## SHARE CAPITAL

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Share Offer — Conditions of the Public Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme).

This mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “Further Information about our Company and its Subsidiaries — 6. Repurchase of our own securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate.

For further details of this general mandate to repurchase shares, see “Further Information about our Company and its Subsidiaries — 3. Resolutions in writing of the Shareholders passed on 25 July 2018” in Appendix IV to this prospectus.

### THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Other Information — 12. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting of our Company are required are provided in our Articles of Association and the Companies Law. For a summary, see Appendix III to this prospectus.

## FINANCIAL INFORMATION

*The following discussion and analysis of our Group's financial position and results of operations should be read in conjunction with our Group's consolidated financial information as of and for each of the three years ended 31 March 2018, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. Prospective investors should read the whole of the Accountants' Report and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

Our Group principally provide superstructure building and RMAA works service as a main contractor in Hong Kong. Superstructure building works refer to building works in relation to the parts of the structure above the ground level and the scope of our superstructure building works projects consists of development and redevelopment projects for residential and commercial buildings. RMAA works refer to alteration and addition works to an existing building such as structural alteration, building maintenance, refurbishment, modification, installation of hardware and equipment, removal of partitions and doors, construction of staircase and other works that improve the general condition of buildings and their facilities.

During the Track Record Period, we provide superstructure building and RMAA works service to private property developers and commercial enterprises for the construction of residential and commercial properties.

As a main contractor, our Group is responsible for the delegation works to our subcontractors under close supervision and management by our project management team, and generally includes overall project management and supervision of works conducted by our subcontractors to ensure their conformity to customers' requirements and that projects are completed on time and within budget.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.



## FINANCIAL INFORMATION

### 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 numbers of factors, including those set out below and in the section headed “Risk Factors” in this prospectus:

**(i) Our revenue relies on successful tenders of superstructure building and RMAA projects which are not recurrent in nature**

During the Track Record Period and up to the Latest Practicable Date, all of our revenue was derived from superstructure building and RMAA projects in Hong Kong which were mainly awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, our business is contract-based and on a non-recurring basis. We do not have long term commitment with our customers and our customers may vary from year to year. There is no guarantee that our current customers will in the future continue to include us in their tendering process or award us with new contracts, or that we will be able to seek new customers. Upon completion of our contracts on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all.

**(ii) Concentration of customer base**

For each of the three years ended 31 March 2018, our five largest customers by affiliated group accounted for approximately 98.3%, 97.4% and 93.9% of our revenue, respectively, and our largest customer by affiliated group accounted for approximately 36.9%, 63.3% and 35.7% of our revenue, respectively. There is no assurance that our major customers will maintain the current business relationship with us and engage us in the future. Any deterioration in the business relationship or termination of the business relationship with our major customers may adversely affect our financial position if we fail to find other customers or diversify our customer base.

**(iii) Pricing and estimate costs of our projects**

Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market conditions. In the event that we fail to accurately estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project.

## FINANCIAL INFORMATION

Furthermore, to provide for certain unforeseen circumstances which are beyond the control of our Group, our contracts may include a clause providing for an “extension of time”, which enables us to extend the completion date subject to the parties’ agreement. Our Group may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers, calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.

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

### **(iv) Construction material costs**

Our principal construction materials include concrete and reinforcement steel. For each of the three years ended 31 March 2018, the costs of construction materials amounted to approximately HK\$35.7 million, HK\$46.7 million and HK\$33.3 million respectively, representing approximately 12.2%, 14.0% and 8.2% of our total cost of services, respectively. There is no guarantee that the quality of construction materials supplied to our Group meets our required standards for reasons which are beyond our control, and we may be forced to replace these construction materials from other suppliers at additional costs or be subject to time delay. Furthermore, we cannot guarantee that the cost of construction materials will be stable. If we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on a part or the whole of any additional costs to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

### **(v) Subcontracting fees**

Our total subcontracting fees accounted for approximately 73.9%, 73.9% and 80.6%, respectively, of our total cost of services for the three years ended 31 March 2018, any significant increase in the subcontracting fees that may impact on our profitability. Besides, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors’ employees. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

## FINANCIAL INFORMATION

### **(vi) Collectability and timing of collection of our trade and retention receivables**

Our Group's works contracts normally require our customers to make progress payments on a monthly basis. Once our Group has submitted a monthly bill, the consultant or architect appointed by our customer will certify the amount of our work done. Our customer usually settles the bill, net of any agreed retention money, around 30 days after receipt of the consultant/architect's certification. Our trade receivables were approximately HK\$22.4 million, HK\$12.7 million and HK\$49.5 million as at 31 March 2016, 2017 and 2018, respectively. We did not experience material difficulty in collecting our trade receivables during the Track Record Period and accordingly did not make any provision for doubtful debt. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

### **BASIS OF PRESENTATION**

The financial information of our Group has been prepared by our Directors based on the accounting policies which conform with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The basis of presentation is set out in note 2 of the Accountants' Report in Appendix I to the prospectus.

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **Revenue recognition**

Please refer to note 4 of the Accountants' Report in Appendix I to this prospectus.

#### **Construction contracts**

Please refer to note 4 of the Accountants' Report in Appendix I to this prospectus.

#### **Property, plant and equipment**

Please refer to note 4 of the Accountants' Report in Appendix I to this prospectus.

### **KEY SOURCES OF ESTIMATION UNCERTAINTY**

#### **Outcome of construction contracts**

Please refer to note 5 of the Accountants' Report in Appendix I to this prospectus.

#### **Impairment loss of trade, retention money and other receivables**

Please refer to note 5 of the Accountants' Report in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### Impact of adoption of HKFRS 15

Our Group has not early adopted the HKFRS 15 that have been issued, but are not yet effective, during the Track Record Period.

Our Group has assessed that the application of HKFRS 15 is not likely to have significant impact on how it recognises revenue from provision of services. For the revenue from construction contracts, our Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure our Group's progress towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date) and; (ii) input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under HKFRS 15, our Group expects to apply an input method with reference to the stage of completion of the contract activity at the end of reporting period. So far as the measurement of progress of our Group's typical contracts is concerned, our Group expects that there would not be any significant impact on the revenue recognition profile.

Based on an assessment of the construction contracts currently executed by our Group, the directors of the Company do not anticipate the use of the input method under HKFRS 15 will have a significant impact on the timing of our Group's revenue recognition for the following reasons:

- (i) Paragraph B19 of HKFRS 15 requires an entity to exclude from an input method the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer. Management considers that usually materials purchased by our Group that have yet to be used do not form part of the costs that contribute to the transfer of control of goods or services to the customers, because they are purchased and merely held at the construction sites, and these materials were not specifically produced or purchased for any projects, and therefore transfer of control of these materials is not considered to have been passed to the customers at the time of delivery to the construction sites. Accordingly, these materials are excluded to estimate the stage of completion under the input method as required under paragraph B19(a) of HKFRS 15. This treatment is consistent with the one currently adopted by our Group as required under paragraph 31 of HKAS 11.
- (ii) Our directors consider that our Group's uninstalled materials, if any, do not meet all the four conditions as set out in paragraph 19(b) of HKFRS 15, and accordingly the treatment of uninstalled materials described in Example 19 of HKFRS 15 does not apply to our Group because (a) the customers are not expected to obtain control of the uninstalled materials significantly before receiving services related to the materials as mentioned in point (i) above and (b) the cost of the uninstalled materials is not expected to be significant relative to the total expected costs to completely satisfy the performance obligation. For reference purposes, the cost of our Group's uninstalled materials as at 31 March 2018 amounted to approximately HK\$5.4 million.

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Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Currently, contract costs of our Group are recognised by reference to the stage of completion of the contract, which is measured by reference to the proportion of contract costs incurred to date bear to the estimated total costs of the relevant contracts. Under HKFRS 15, contract costs that related to satisfy performance obligations are expensed as incurred. Our Group expects that there would not be any significant impact on the timing of recognition of contract costs.

Our Group expects that the adoption of HKFRS 15 will result in additional disclosures in our Group's consolidated financial statements. Our Group plans to apply HKFRS 15, as allowed under its transition requirements, retrospectively to contracts that are not completed as of the mandatory adoption date on 1 April 2018, with a cumulative effect adjustment.

### 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. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	323,375	371,698	448,556
Cost of services	<u>(293,326)</u>	<u>(333,027)</u>	<u>(404,584)</u>
Gross Profit	30,049	38,671	43,972
Other income	22	2,633	1,536
Administrative and other expenses	(6,296)	(13,280)	(16,154)
Finance costs	<u>(209)</u>	<u>(215)</u>	<u>(255)</u>
Profit before income tax expense	23,566	27,809	29,099
Income tax expense	<u>(3,904)</u>	<u>(5,334)</u>	<u>(5,775)</u>
Profit and total comprehensive income for the year	<u><u>19,662</u></u>	<u><u>22,475</u></u>	<u><u>23,324</u></u>

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, our revenue was principally generated from the provision of superstructure building and RMAA works. Our revenue from the superstructure building and RMAA works is based on the stage of completion at the end of each reporting period. The percentage of completion is determined with reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs (“**Cost Approach**”). The portion of total construction contract amount have been completed in a period is recognised as revenue of our Group in the respective period.

The following table illustrates how the stages of completion of the Group’s major projects determined with reference to the certification by independent architects (“**Certificate Approach**”) differed from those determined with reference to the Cost Approach, as at each balance sheet date during the Track Record Period:

Project name	For the year ended 31 March	Cost Approach		Certificate Approach		Variance between Cost Approach and Certificate Approach	
		Revenue recognised	% of completion*	Revenue recognised	% of completion*	(A)–(C)	(B)–(D)
		(A) HK\$'000	(B) %	(C) HK\$'000	(D) %	(A)–(C) HK\$'000	(B)–(D) %
CYS	2016	49	100.0%	—	100.0%	49	0.0%
YSS <sup>(Note 1)</sup>	2016	5,264	97.4%	19,405	98.6%	(14,141)	(1.2%)
	2017	5,971	100.0%	4,245	100.0%	1,726	0.0%
PES <sup>(Note 2)</sup>	2016	15,250	100.0%	5,000	100.0%	10,250	0.0%
	2017	—	100.0%	—	100.0%	—	0.0%
TKO2	2016	376	100.0%	519	100.0%	(143)	0.0%
AGS <sup>(Note 3)</sup>	2016	119,385	99.7%	112,979	98.0%	6,406	1.7%
	2017	2,243	99.7%	3,405	98.4%	(1,162)	1.3%
	2018	2,607	99.8%	157	99.4%	2,450	0.4%
CSS <sup>(Note 4)</sup>	2016	108,352	87.7%	109,387	99.7%	(1,035)	(12.0%)
	2017	23,391	100.0%	7,749	100.0%	15,642	0.0%
KCS <sup>(Note 5)</sup>	2016	55,303	52.6%	64,271	61.1%	(8,968)	(8.5%)
	2017	52,146	99.7%	42,266	98.9%	9,880	0.8%
	2018	803	100.0%	3,912	100.0%	(3,109)	0.0%

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Project name	For the year ended 31 March	Cost Approach		Certificate Approach		Variance between Cost Approach and Certificate Approach	
		Revenue recognised	% of completion*	Revenue recognised	% of completion*	(A)-(C)	(B)-(D)
		(A) HK\$'000	(B) %	(C) HK\$'000	(D) %	(A)-(C) HK\$'000	(B)-(D) %
<b>TKO3</b> <i>(Note 6)</i>	2016	18,683	6.4%	22,047	7.5%	(3,364)	(1.1%)
	2017	235,335	85.8%	232,885	86.1%	2,450	(0.3%)
	2018	37,466	99.7%	39,129	99.2%	(1,663)	0.5%
<b>FLTR</b> <i>(Note 7)</i>	2017	17,410	12.3%	20,199	14.2%	(2,789)	(1.9%)
	2018	87,985	75.3%	83,107	72.6%	4,878	2.7%
<b>LMR</b> <i>(Note 8)</i>	2017	30,350	17.1%	36,728	20.7%	(6,378)	(3.6%)
	2018	160,068	96.1%	153,523	96.0%	6,545	0.1%
<b>BFR</b>	2018	103,530	53.8%	103,913	54.0%	(383)	(0.2%)
<b>D2T</b>	2018	23,454	100.0%	23,454	100.0%	—	0.0%
<b>KTR</b> <i>(Note 9)</i>	2018	28,246	27.4%	25,648	24.8%	2,598	2.6%
<b>Other minor projects</b> <i>(Note 10)</i>	2016	713	100.0%	713	100.0%	—	0.0%
	2017	4,852	100.0%	4,852	100.0%	—	0.0%
	2018	4,397	94.0%	3,776	80.8%	621	13.2%
<b>Subtotal</b>	2016	323,375 <sup>#</sup>		334,321		(10,946)	
	2017	371,698 <sup>#</sup>		352,329		19,369	
	2018	448,556 <sup>#</sup>		436,619		11,937	

\* as at each balance sheet date

# As per the revenue disclosed in the Accountants' Report in Appendix I to the prospectus.

*Note 1:*

The revenue recognised from project YSS under Certificate Approach was approximately HK\$19.4 million for the year ended 31 March 2016, which was greater than that of approximately HK\$5.3 million under Cost Approach during the same year. The difference was mainly due to costs incurred on variation orders during the year ended 31 March 2015 were subsequently certified by architect in the year ended 31 March 2016.

*Note 2:*

The revenue recognised from project PES under Cost Approach was approximately HK\$15.3 million for the year ended 31 March 2016, which was greater than that of approximately HK\$5.0 million under Certificate Approach during the same year. The difference was mainly due to certain preliminary upfront cost, such as warehouse setup costs, machinery costs and general insurance costs, etc. certified by the architect in the year ended 31 March 2013 have not yet incurred in the early stage of the project or require to amortise throughout the project period under the Cost Approach.

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*Note 3:*

The revenue recognised from project AGS under Cost Approach was approximately HK\$119.4 million for the year ended 31 March 2016, which was greater than that of approximately HK\$113.0 million under Certificate Approach during the same year. The difference was mainly due to costs incurred on variation orders during the year ended 31 March 2014 were subsequently certified by architect in the year ended 31 March 2016. The revenue recognised from project AGS under Cost Approach was approximately HK\$2.6 million for the year ended 31 March 2018, which was greater than that of approximately HK\$0.2 million under Certificate Approach during the same year. The difference was mainly due to the cost incurred for rectification for certain defects.

*Note 4:*

The revenue recognised from project CSS under Cost Approach was approximately HK\$23.4 million for the year ended 31 March 2017, which was greater than that of approximately HK\$7.7 million under Certificate Approach during the same year. The difference was mainly due to certain preliminary upfront cost, such as warehouse setup costs, machinery costs and general insurance costs, etc. certified by the architect in the former years prior to 2017 require to amortise throughout the project under the Cost Approach. A substantial portion of these preliminary costs were subsequently incurred in the year ended 31 March 2017.

*Note 5:*

The revenue recognised from project KCS under Certificate Approach was approximately HK\$64.3 million for the year ended 31 March 2016, which was greater than that of approximately HK\$55.3 million under Cost Approach during the same year. The difference was mainly due to advance payment certified by architect in the year ended 31 March 2016 for preliminary upfront cost, such as warehouse setup costs, machinery costs and general insurance costs, etc. A substantial portion of these preliminary costs were subsequently incurred in the year ended 31 March 2017. The revenue recognised under Certificate approach were greater than that under the Cost Approach for the year ended 31 March 2018 as the final account payment were received during the same period.

*Note 6:*

The revenue recognised from project TKO3 under Certificate Approach was approximately HK\$22.0 million for the year ended 31 March 2016, which was greater than that of approximately HK\$18.7 million under Cost Approach during the same year. The difference was mainly due to advance payment certified by architect in the year ended 31 March 2016 for preliminary upfront cost, such as warehouse setup costs, machinery costs and general insurance costs, etc. A substantial portion of these preliminary costs were subsequently incurred in the year ended 31 March 2017. The revenue recognised from project TKO3 under Certificate Approach was approximately HK\$39.1 million for the year ended 31 March 2018, which was greater than that of approximately HK\$37.5 million under Cost Approach during the same year. The difference was mainly due to revise of budget cost during the year ended 31 March 2018.

*Note 7:*

The revenue recognised from project FLTR under Certificate Approach was approximately HK\$20.2 million for the year ended 31 March 2017, which was greater than that of approximately HK\$17.4 million under Cost Approach during the same year. The difference was mainly due to certain advance payment certified by architect in the year ended 31 March 2017 for preliminary upfront cost, such as warehouse setup costs, machinery costs and general insurance costs, etc. The revenue recognised from project FLTR under Cost Approach was approximately HK\$88.0 million for the year ended 31 March 2018, which was greater than that of approximately HK\$83.1 million under Certificate Approach during the same year. The difference was mainly due to revise of budget cost during the year ended 31 March 2018.



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*Note 8:*

The revenue recognised from project LMR under Certificate Approach was approximately HK\$36.7 million for the year ended 31 March 2017, which was greater than that of approximately HK\$30.4 million under Cost Approach during the same year. The difference was mainly due to advance payment certified by architect in the year ended 31 March 2017 for preliminary upfront cost, such as warehouse setup costs, machinery costs and general insurance costs, etc. The revenue recognized under Cost Approach was approximately HK\$160.1 million for the year ended 31 March 2018, which was greater than that of approximately HK\$153.5 million under Certificate Approach during the same year. The difference was mainly due to certain payment such as the general insurance costs certified by the architect in the former years prior to 2018 require to amortise throughout the project under Cost Approach.

*Note 9:*

The revenue recognised from project KTR under Cost Approach was approximately HK\$28.2 million for the year ended 31 March 2018, which was greater than that of approximately HK\$25.6 million under Certificate Approach during the same year. The difference was mainly due to certain advance payments to suppliers or subcontractors which have not yet certified by architect or incurred in the project during the year ended 31 March 2018.

*Note 10:*

The revenue recognised from other minor projects under Cost Approach was approximately HK\$4.4 million for the year ended 31 March 2018, which was greater than that of approximately HK\$3.8 million under Certificate Approach during the same year. The difference was mainly due to payment certificate of one of the minor projects have not been issued during the year ended 31 March 2018.

During the Track Record Period, all of our revenue was generated from the private sector and our customers are mainly private property developers and commercial enterprises which require superstructure building and/or RMAA works services in Hong Kong. The breakdown of revenue by project type are sets out below:

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Superstructure building works	214,261	66.3	343,455	92.4	420,705	93.8
RMAA works	109,114	33.7	28,243	7.6	27,851	6.2
<b>Total</b>	<b>323,375</b>	<b>100.0</b>	<b>371,698</b>	<b>100.0</b>	<b>448,556</b>	<b>100.0</b>

The revenue from superstructure building works represented the construction works performed by us at construction sites in relation to the parts of the structure above the ground level and the scope of our superstructure building works projects consists of development and redevelopment projects for residential and commercial buildings, while the revenue from RMAA work services represented the works undertaken by us for alteration and addition works to an existing building such as structural alteration, building maintenance, refurbishment, modification, installation of hardware and equipment, removal of partitions and doors, construction of staircase and other works that improve the general condition of buildings and their facilities.

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During the Track Record Period, we undertook both commercial and residential projects located in Hong Kong. The following tables sets forth the breakdown of our revenue contribution by commercial and residential projects during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Commercial	128,109	39.6	293,928	79.1	328,286	73.2
Residential	<u>195,266</u>	<u>60.4</u>	<u>77,770</u>	<u>20.9</u>	<u>120,270</u>	<u>26.8</u>
Total	<u><u>323,375</u></u>	<u><u>100.0</u></u>	<u><u>371,698</u></u>	<u><u>100.0</u></u>	<u><u>448,556</u></u>	<u><u>100.0</u></u>

The following tables sets forth the major superstructure building and RMAA works projects that contributed revenue to us during the Track Record Period:

<b>Project code</b>	<b>Particulars and location of the projects</b>	<b>Building types</b>	<b>Year ended 31 March</b>		
			<b>2016</b>	<b>2017</b>	<b>2018</b>
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BFR	Superstructure building works for the proposed industrial redevelopment at Tai Kok Tsui	Commercial	—	—	103,530
LMR	Superstructure building works for the proposed industrial redevelopment at Tsuen Wan	Commercial	—	30,350	160,068
FLTR	Superstructure building works for a proposed Composite Building located at Kowloon City, Hong Kong	Residential	—	17,410	87,985
YSS	Superstructure building works for the development of a building located at Happy Valley	Residential	5,264	5,971	—
PES	Superstructure building works for the redevelopment of a building located at Prince Edward Road West, Hong Kong	Residential	15,250	—	—

## FINANCIAL INFORMATION

Project code	Particulars and location of the projects	Building types	Year ended 31 March		
			2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
TKO2	Superstructure building works for the extension of a factory located at Tseung Kwan O, Hong Kong	Commercial	376	—	—
AGS	Superstructure building works for the redevelopment of a building located at Mong Kok, Hong Kong	Residential	119,385	2,243	2,607
KCS	Superstructure building works for proposed composite building located at Jordan, Hong Kong	Residential	55,303	52,146	803
TKO3	Superstructure building works for a proposed printing factory extension located at Tseung Kwan O, Hong Kong	Commercial	18,683	235,335	37,466
CSS	RMAA works for the wholesale conversion of industrial building located at Cheung Sha Wan, Hong Kong	Commercial	108,352	23,391	—
D2T	RMAA works for an entertainment facility located at Cheung Sha Wan, Hong Kong	Commercial	—	—	23,454
KTR	Superstructure building works for the development of a building located at Kowloon City, Hong Kong	Residential	—	—	28,246

Further details of the aforesaid projects are set out in the section headed “Business — Our business model and our contracts — Our contracts” in this prospectus.

## FINANCIAL INFORMATION

### Cost of services

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs	11,349	3.9	12,243	3.7	15,804	3.9
Material costs	35,698	12.2	46,674	14.0	33,259	8.2
Subcontracting fees	216,652	73.9	246,082	73.9	326,213	80.6
Machinery and equipment rental expenses	9,682	3.3	8,050	2.4	9,964	2.5
Other overhead costs	<u>19,945</u>	<u>6.7</u>	<u>19,978</u>	<u>6.0</u>	<u>19,344</u>	<u>4.8</u>
<b>Total</b>	<b><u>293,326</u></b>	<b><u>100.0</u></b>	<b><u>333,027</u></b>	<b><u>100.0</u></b>	<b><u>404,584</u></b>	<b><u>100.0</u></b>

Cost of services primarily consist of (i) direct labour costs; (ii) material costs; (iii) subcontracting fees; (iv) machinery and equipment rental expenses and (v) other overhead costs.

#### *Direct labour costs*

Direct labour costs represent compensation and benefits provided to our staff, such as project managers, site agents, safety officers, site foremen and other site workers who supervise and execute the construction works at the project sites.

#### *Material costs*

Material costs mainly represent cost of services for the purchase of concretes, wooden door, steel reinforcement, fire-proof paint and windows that are directly attributed to construction works. As the materials are purchased on a project-by-project basis in accordance with the project requirements, we rely on the accurate estimation on the amount of construction materials needed and we normally allow for a small buffer in each batch of order to avoid wastage. As such, we do not retain any construction materials as inventory. Most of the construction materials are delivered by our suppliers directly to relevant construction sites for immediate consumption.

#### *Subcontracting fees*

Subcontracting fees represent cost of services for engaging subcontractors for various subcontracting services for the completion of our construction projects. During the Track Record Period, the subcontracting services used by our Group are mainly formwork works, structural steel engineering works, fitting-out works, electrical installation works, fire engineering works, plumbing works and external façade and curtain wall works.

#### *Machinery and equipment rental expenses*

Machinery and equipment rental expenses represent the cost incurred for hiring machineries for our construction projects.

## FINANCIAL INFORMATION

### *Other overhead costs*

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Insurance costs	5,287	26.5	5,865	29.4	6,889	35.6
Liquidated damages	5,341	26.8	3,200	16.0	—	—
Transportation expenses	1,746	8.8	1,446	7.2	1,381	7.1
Government Levy	1,659	8.3	1,748	8.8	2,605	13.5
Consultant fee	1,014	5.1	1,478	7.4	2,112	10.9
Sundry Expenses	2,221	11.1	1,996	10.0	863	4.5
Electricity and Water	838	4.2	481	2.4	1,103	5.7
Security Guard	1,116	5.6	746	3.7	1,517	7.8
Others	<u>723</u>	<u>3.6</u>	<u>3,018</u>	<u>15.1</u>	<u>2,874</u>	<u>14.9</u>
Other overhead costs	<u>19,945</u>	<u>100.0</u>	<u>19,978</u>	<u>100.0</u>	<u>19,344</u>	<u>100.0</u>

Our other overhead costs during the Track Record Period comprised:

- (a) Insurance costs represent employees' compensation insurance and contractor's all risks insurance expenses.
- (b) Liquidated damages represent liquidated damages costs paid to our customers due to delay in the completion of several projects.
- (c) Transportation expenses represent the transportation fees of disposal of construction waste.
- (d) Government levy represents the construction industry training authority levy and the pneumoconiosis compensation fund board levy.
- (e) Consultant fees represent consultant expenses for electrical and mechanical service site coordinator.
- (f) Sundry expenses represent costs of purchasing consumables for the operation of offices on construction sites.
- (g) Electricity and water represent expenses for the usage of electricity and water on construction site.
- (h) Security guard expenses represent security service fee for the construction site.
- (i) Others mainly represent staff messing, fees related to application for excavation permits from the Highways Department, local travelling expenses and reinforcement, and steel and concrete testing expenses.

## FINANCIAL INFORMATION

The amount of each of the elements of cost of services and the composition of cost of services depend on various factors. The amount of construction material costs depends on the volume and price of materials used in projects. The amount of subcontracting fees depends on the amount of construction works that we outsourced to our subcontractors. Direct labour costs are primarily related to the number of direct workers of our Group and their corresponding salaries at the prevailing market rate. Our Directors confirmed that there was no significant revision to the estimated total contract costs for any of the Group's projects during the Track Record Period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuation in the Group's direct labour costs, materials costs and subcontracting fees on the Group's profit before taxation during the Track Record Period, with reference to the historical fluctuation of our cost of services during the Track Record Period:

	<b>Impact on profit before taxation</b>		
	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Direct labour costs increase/(decrease) by:</b>			
29%	(3,291)	(3,550)	(4,583)
8%	(908)	(979)	(1,264)
(8%)	908	979	1,264
(29%)	3,291	3,550	4,583
<b>Material costs increase/(decrease) by:</b>			
31%	(11,066)	(14,469)	(10,310)
29%	(10,352)	(13,535)	(9,645)
(29%)	10,352	13,535	9,645
(31%)	11,066	14,469	10,310
<b>Subcontracting fees increase/(decrease) by:</b>			
33%	(71,495)	(81,207)	(107,650)
14%	(30,331)	(34,451)	(45,670)
(14%)	30,331	34,451	45,670
(33%)	71,495	81,207	107,650

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

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

	<b>Year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>	<i>Gross profit</i> <i>margin</i> <i>HK\$'000</i>	<i>Gross profit</i> <i>margin</i> <i>%</i>
Superstructure building works	19,916	9.3	37,044	10.8	40,632	9.7
RMAA works	10,133	9.3	1,627	5.8	3,340	12.0
Total	30,049	9.3	38,671	10.4	43,972	9.8

During the three years ended 31 March 2018, our gross profit were approximately HK\$30.0 million, HK\$38.7 million and HK\$44.0 million, and our gross profit margin were approximately 9.3%, 10.4% and 9.8%. The gross profit margin of RMAA works decreased from approximately 9.3% for the year ended 31 March 2016 to approximately 5.8% for the year ended 31 March 2017. Such decrease was mainly due to cost incurred for rectification of defects for project CSS during the year ended 31 March 2017. The increase of the gross profit margin of RMAA works from approximately 5.8% for the year ended 31 March 2017 to approximately 12.0% for the year ended 31 March 2018 was due to the high gross profit margin of project D2T. The Group is able to factor a high gross profit margin for this project as the customer required special machineries and workforce for quieter construction method. The gross profit and gross profit margin of our Group was determined on a project-by-project basis and are generally attributable to our tender price of the projects. Our management determine the tender price by taking into account factors including the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, extent of subcontracted works required, our relationship with potential customers and prevailing market conditions. Our Directors are of the view that there is no clear benchmark of profit margin based on the projects undertaken by us.

## FINANCIAL INFORMATION

For the projects that contributed revenue to us during the years ended 31 March 2016, the amount of revenue recognized under the variation orders amounted to an aggregate of approximately HK\$53.1 million. For the project that contributed revenue to us during the years ended 31 March 2017 and 31 March 2018, the amount of reduction in revenue resulting from additional variation orders amounted to approximately HK\$2.6 million and HK\$23.4 million respectively. These variation orders have resulted in subsequent adjustments to the costs of sales and deviation of gross profit from the preliminary assessment conducted by our Group's management during the Track Record Period. The following analysis illustrates the impact of the variation orders on gross profit and gross profit margin for the three years ended 31 March 2018:

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross profit under original contract sum	22,711	43,435	46,627
Impact of variation orders on gross profit	7,338	(4,764)	(2,655)
Gross profit	30,049	38,671	43,972

Based on the above analysis, assuming the variation order not taken place, the gross profit for the year ended 31 March 2017 and 31 March 2018 will be increased by approximately HK\$4.8 million and HK\$2.7 million respectively and the gross profit for the year ended 31 March 2016 will be decreased by approximately HK\$7.3 million. Accordingly, the gross profit margin during the Track Record Period will increase or decrease from approximately 9.3%, 10.4% and 9.8% respectively to approximately 8.4%, 11.6% and 9.9% respectively should the variation orders not taken place.

### Other Income

Other income mainly represents (i) compensation income from insurance in relation to the employees claim and claim for rainwater damage on our construction projects; (ii) refund of legal fees; and (iii) recovery of bad debts previously recognised. The refund of legal fees refers to the return of security deposit from the High Court of approximately HK\$0.8 million and settlement sum of approximately HK\$1.5 million paid by the defendant in relation to a settled litigation case of the Group.

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Refund of legal fees	—	2,351	—
Recovery of bad debts	—	—	991
Compensation income from insurance	—	282	545
Others	22	— <sup>(Note)</sup>	— <sup>(Note)</sup>
Total	22	2,633	1,536

*Note:* The balance represents an amount less than HK\$1,000.



## FINANCIAL INFORMATION

### Administrative and other expenses

Administrative and other expenses consist primarily of (i) staff costs; (ii) rental expenses; (iii) motor vehicle expenses; (iv) accounting, secretarial and licence fee; (v) depreciation; (vi) listing expenses and (vii) other expenses. The following table sets out administrative expenses by nature during the Track Record Period:

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	3,932	4,781	8,038
Rental expenses	272	312	312
Motor vehicle expenses	322	320	362
Accounting, secretarial and licence fees	500	2,136	270
Depreciation expenses	154	147	130
Listing expenses	—	4,307	5,305
Other expenses	<u>1,116</u>	<u>1,277</u>	<u>1,737</u>
	<u><u>6,296</u></u>	<u><u>13,280</u></u>	<u><u>16,154</u></u>

#### *Staff costs*

Staff costs represent (i) salaries of accounting, finance and administrative staff, including senior management, contract manager and quantity surveyors; (ii) staff retirement benefits; (iii) staff messing and welfare and (iv) directors' remuneration.

#### *Rental expenses*

Rental expenses represent the rental costs for our head office.

#### *Motor vehicle expenses*

Motor vehicle expenses were fuel, parking fee and toll fees for travelling costs incurred not directly related to our construction projects.

#### *Accounting, secretarial and licence fees*

Accounting, secretarial and licence fees were mainly legal services fees and accounting services fees.

#### *Depreciation expenses*

Depreciation expenses represents depreciation for furniture and equipment at our Group's office premises and motor vehicles, which are not directly involved in construction projects.

## FINANCIAL INFORMATION

### *Listing expenses*

Listing expenses represent expenses in relation to the proposed Listing.

### *Other expenses*

Our other expenses mainly represented auditors' remuneration, business entertainment, donations, electricity, water and telephone expenses, printing, stationery and postage expenses, rates and building management fee.

### **Finance costs**

Our finance costs mainly represent interest expenses for bank borrowings and interest expenses on obligations under finance leases of motor vehicles. The table below set forth the total finance costs of our Group and amount charge to profit or loss of our Group during the Track Record Period.

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	191	206	247
Finance lease interest	<u>18</u>	<u>9</u>	<u>8</u>
	<u>209</u>	<u>215</u>	<u>255</u>

Finance costs on obligations under finance leases were incurred for some of our Group's motor vehicles during the Track Record Period. The interest on bank borrowings were determined with reference to prevailing market rate. Details of our bank borrowings and finance lease obligations are disclosed in the paragraph headed "Indebtedness" in this section.

### **Income tax**

Our Group's revenue during the Track Record Period was derived in Hong Kong and our Group was subject to profits tax in Hong Kong. Hong Kong profits tax is charged at a statutory rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the three years ended 31 March 2016, 2017 and 2018 were approximately 16.6%, 19.2% and 19.8% respectively.

## FINANCIAL INFORMATION

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 March 2017 compared to year ended 31 March 2016

##### *Revenue*

Our Group's revenue increased by approximately HK\$48.3 million or 14.9% from approximately HK\$323.4 million for the year ended 31 March 2016 to approximately HK\$371.7 million for the year ended 31 March 2017. The increase was mainly due to project TKO3, a superstructure building works for a proposed printing factory extension located at Tseung Kwan O that commenced in early 2016, contributed revenue of approximately HK\$235.3 million for the year ended 31 March 2017 as compared to approximately HK\$18.7 million for the year ended 31 March 2016.

##### *Cost of services*

Our Group's direct costs increased by approximately HK\$39.7 million or 13.5% from approximately HK\$293.3 million for the year ended 31 March 2016 to approximately HK\$333.0 million for the year ended 31 March 2017. Such increase was in line with the increase in revenue of our Group for the year under reviewed and primarily due to the increase in subcontracting fees, direct labour costs and material costs.

Our direct labour costs increased by approximately HK\$0.9 million or 8.0% from approximately HK\$11.3 million for the year ended 31 March 2016 to approximately HK\$12.2 million for the year ended 31 March 2017. Such increase was in line with the increase of our revenue from the year ended 31 March 2016 to the year ended 31 March 2017.

The material costs increased by approximately HK\$11.0 million or 30.8% from approximately HK\$35.7 million for the year ended 31 March 2016 to approximately HK\$46.7 million for the year ended 31 March 2017. Such increase was primarily due to increased purchase of steel reinforcement for project TKO3, which required substantial usage of steel reinforcement in the structural steel engineering works for this project.

Subcontracting fees increased by approximately HK\$29.4 million or 13.6% from approximately HK\$216.7 million for the year ended 31 March 2016 to approximately HK\$246.1 million for the year ended 31 March 2017. Such increase was mainly due to the increase in amount of works outsourced to subcontractors in connection with fitting out works, electrical and mechanical works and structural steel engineering works for project TKO3 for the year ended 31 March 2017.

Machinery and equipment rental expenses decreased by approximately HK\$1.6 million or 16.5% from approximately HK\$9.7 million for the year ended 31 March 2016 to approximately HK\$8.1 million for the year ended 31 March 2017. Such decrease in machinery and equipment rental expenses was mainly due to less machinery usage for the projects in 2017.

The other overhead costs remained stable and amounted to approximately HK\$20.0 million for the two years ended 31 March 2016 and 2017.

## FINANCIAL INFORMATION

### *Gross profit and gross profit margin*

Our Group's total gross profit increased by approximately HK\$8.7 million or 29.0%, from approximately HK\$30.0 million for the year ended 31 March 2016 to approximately HK\$38.7 million for the year ended 31 March 2017. Such increase was in line with the growth of our revenue. The increase of gross profit margin from approximately 9.3% for the year ended 31 March 2016 to approximately 10.4% for the year ended 31 March 2017 was mainly due to the relative high profit margin for project TKO3, of which a substantial portion of the construction work has completed for the year ended 31 March 2017. The relative high profit margin for project TKO3 was mainly due to the complexity of the structural steel engineering works involved for this project. Nevertheless, our gross profit margin varied from project to project and was determined on a project-by-project basis. Please refer to the section headed "Financial Information — Gross profit and gross profit margin" for more details.

### *Other income*

Our Group's other income increased significantly by approximately HK\$2.6 million or 11,718.2%, from approximately HK\$22,000 for the year ended 31 March 2016 to approximately HK\$2.6 million for the year ended 31 March 2017. Such increase was mainly due to the return of security deposit from the High Court of approximately HK\$0.8 million and settlement sum of approximately HK\$1.5 million paid by the defendant in relation to a settled litigation case of the Group for the year ended 31 March 2017.

### *Administrative and other expenses*

Our Group's administrative and other expenses increased by approximately HK\$7.0 million or 111.1%, from approximately HK\$6.3 million for the year ended 31 March 2016 to approximately HK\$13.3 million for the year ended 31 March 2017. Such increase was mainly due to (i) the increase in accounting, secretarial and licence fee of approximately HK\$1.6 million as a result of the increase in consultant fee for upgrading the accounting and information system of the Group for the year ended 31 March 2017 and (ii) Listing expenses of approximately HK\$4.3 million incurred for the year ended 31 March 2017.

### *Finance costs*

Finance costs remained stable and amounted to approximately HK\$0.2 million for the two years ended 31 March 2016 and 31 March 2017.

### *Income tax*

Income tax increased by approximately HK\$1.4 million or 35.9%, from approximately HK\$3.9 million for the year ended 31 March 2016 to approximately HK\$5.3 million for the year ended 31 March 2017. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$23.6 million for the year ended 31 March 2016 to approximately HK\$27.8 million for the year ended 31 March 2017.

## FINANCIAL INFORMATION

The effective tax rates were approximately 16.6% and 19.2% for the year ended 31 March 2016 and 31 March 2017 respectively. The increase of our effective tax rates of our Group for the year ended 31 March 2017 was mainly attributable to the increase in tax effect of Listing expenses which is not deductible for tax purpose for the year ended 31 March 2017.

### *Profit for the year*

As a result of the foregoing, the profit for the year of the Group increased by approximately HK\$2.8 million or 14.2% from approximately HK\$19.7 million for the year ended 31 March 2016 to approximately HK\$22.5 million for the year ended 31 March 2017.

### **Year ended 31 March 2018 compared to year ended 31 March 2017**

#### *Revenue*

Our Group's revenue increased by approximately HK\$76.9 million or 20.7%, from approximately HK\$371.7 million for the year ended 31 March 2017 to approximately HK\$448.6 million for the year ended 31 March 2018. The increase was mainly due to project LMR and project BFR. Project LMR was a superstructure building works for the proposed industrial redevelopment located at Tsuen Wan that commenced during the year ended 31 March 2017 and project BFR was a superstructure building works for the proposed industrial redevelopment located at Tai Kok Tsui, contributed revenue of approximately HK\$160.1 million and HK\$103.5 million for the year ended 31 March 2018 as compared to approximately HK\$30.4 million and nil for the year ended 31 March 2017 respectively.

#### *Cost of services*

Our Group's direct costs increased by approximately HK\$71.6 million or 21.5% from approximately HK\$333.0 million for the year ended 31 March 2017 to approximately HK\$404.6 million for the year ended 31 March 2018. Such increase was in line with the increase in revenue of our Group for the year under reviewed and primarily due to the increase in subcontracting fees, direct labour costs and material costs.

Our direct labour costs increased by approximately HK\$3.6 million or 29.5% from approximately HK\$12.2 million for the year ended 31 March 2017 to approximately HK\$15.8 million for the year ended 31 March 2018. Such increase was in line with the increase of our revenue from the year ended 31 March 2017 to the year ended 31 March 2018.

The material costs decreased by approximately HK\$13.4 million or 28.7% from approximately HK\$46.7 million for the year ended 31 March 2017 to approximately HK\$33.3 million for the year ended 31 March 2018. Such decrease was primarily due to the increase in amount of works outsourced or delegated to subcontractors which the subcontractors generally equip themselves with the materials.

Subcontracting fees increased by approximately HK\$80.1 million or 32.5% from approximately HK\$246.1 million for the year ended 31 March 2017 to approximately HK\$326.2 million for the year ended 31 March 2018. Such increase was mainly due to the increase in amount of works outsourced to subcontractors in connection with fitting out works, electrical and mechanical works and structural steel engineering works for project LMR and project BFR for the year ended 31 March 2018.

## FINANCIAL INFORMATION

Machinery and equipment rental expenses increased by approximately HK\$1.9 million or 23.5% from approximately HK\$8.1 million for the year ended 31 March 2017 to approximately HK\$10.0 million for the year ended 31 March 2018. Such increase in machinery and equipment rental expenses was mainly due to more machinery usage for the new projects started for the year ended 31 March 2018.

The other overhead costs remained stable and amounted to approximately HK\$20.0 million for the year ended 31 March 2017 and approximately HK\$19.3 million for the year ended 31 March 2018 respectively.

### *Gross profit and gross profit margin*

Our Group's total gross profit increased by approximately HK\$5.3 million or 13.7%, from approximately HK\$38.7 million for the year ended 31 March 2017 to approximately HK\$44.0 million for the year ended 31 March 2018. Such increase was in line with the growth of our revenue. The decrease of gross profit margin from approximately 10.4% for the year ended 31 March 2017 to approximately 9.8% for the year ended 31 March 2018 was mainly attributable to the provision of liquidated damages of approximately HK\$2.3 million made to the budgeted profit of project FLTR and unexpected cost incurred for rectification of defects for project KCS during the year ended 31 March 2018. Nevertheless, our gross profit margin varied from project to project and was determined on a project-by-project basis. Please refer to the section headed "Financial Information — Gross profit and gross profit margin" for more details.

### *Other income*

Our Group's other income decreased by approximately HK\$1.1 million or 42.3%, from approximately HK\$2.6 million for the year ended 31 March 2017 to approximately HK\$1.5 million for the year ended 31 March 2018. Such decrease was mainly due to the one-off refund of legal fees amounted to approximately HK\$2.4 million during the year ended 31 March 2017.

### *Administrative and other expenses*

Our Group's administrative and other expenses increased by approximately HK\$2.9 million or 21.8%, from approximately HK\$13.3 million for the year ended 31 March 2017 to approximately HK\$16.2 million for the year ended 31 March 2018. Such increase was mainly due to (i) the increase in staff salaries of approximately HK\$3.3 million as a result of the increase in number of staff and salary increment during the year ended 31 March 2018 and (ii) increase of Listing expenses incurred from approximately HK\$4.3 million for the year ended 31 March 2017 to approximately HK\$5.3 million for the year ended 31 March 2018.

### *Finance costs*

Finance costs increased slightly from approximately HK\$0.2 million for the year ended 31 March 2017 to approximately HK\$0.3 million for the year ended 31 March 2018 which was attributable to the increase of interest on bank borrowings.

## FINANCIAL INFORMATION

### *Income tax*

Income tax increased by approximately HK\$0.5 million or 9.4%, from approximately HK\$5.3 million for the year ended 31 March 2017 to approximately HK\$5.8 million for the year ended 31 March 2018. The slight increase in income tax expense was mainly attributable to the slight increase in the tax effect of expenses not deductible for tax purpose of approximately HK\$0.2 million for the year ended 31 March 2018.

The effective tax rates were approximately 19.2% and 19.8% for the year ended 31 March 2017 and 31 March 2018 respectively. The increase of our effective tax rates of our Group for the year ended 31 March 2018 was mainly attributable to the increase in tax effect of Listing expenses which is not deductible for tax purpose for the year ended 31 March 2018.

### *Profit for the year*

As a result of the foregoing, the profit for the year of the Group increased by approximately HK\$0.8 million or 3.6% from approximately HK\$22.5 million for the year ended 31 March 2017 to HK\$23.3 million for the year ended 31 March 2018.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operating activities.

### **Cash Flows**

The following table sets forth the cash flows for the periods indicated. This information should be read together with the consolidated financial information contained in the Accountants' Report in Appendix I to this prospectus.

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flow generated from/(used in) operating activities	13,614	20,328	(16,419)
Net cash flow used in investing activities	(178)	(307)	(21)
Net cash flow (used in)/generated from financing activities	(11,196)	(3,706)	4,971
Net increase/(decrease) in cash and cash equivalent	2,240	16,315	(11,469)
Cash and cash equivalents at beginning of the year	17,610	19,850	36,165
Cash and cash equivalents at end of the year	19,850	36,165	24,696

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### *Cash flows from operating activities*

Our operating cash inflows are primarily derived from our revenue from the provision of construction services, whereas our operating cash outflows mainly comprise of payment for subcontracting fees, staff costs, purchase of construction materials, as well as other working capital needs. Our net cash flow generated from operating activities primarily reflects our profit or loss before income tax, as adjusted for non-operating items, such as depreciation expenses, write-offs of property, plant and equipment, finance costs, and the effects of changes in working capital such as increase or decrease in trade receivables, retention money receivables, deposits, prepayments and other receivables, trade and retention money payables, accruals and other payables and net amount due from/to customers for contract works.

Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade and retention money receivables from customers and the timing of payment of trade payables to suppliers and subcontractors during our ordinary course of business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

For the year ended 31 March 2016, we had net cash generated from operating activities of approximately HK\$13.6 million, primarily as a result of (i) profit before taxation of approximately HK\$23.6 million, positively adjusted for depreciation expenses of approximately HK\$0.2 million, finance costs of approximately HK\$0.2 million and write-off of property, plant and equipment of approximately HK\$45,000; (ii) increase in trade receivables of approximately HK\$12.8 million; (iii) increase in retention money receivables of approximately of HK\$2.2 million; (iv) decrease in deposits, prepayments and other receivables of approximately HK\$2.1 million; (v) increase in amounts due from customers for contract work of approximately HK\$5.4 million; (vi) increase in trade and retention money payables of approximately HK\$8.1 million; (vii) increase in accruals of approximately HK\$1.2 million, (viii) decrease in amounts due to customers for contract work of approximately HK\$0.5 million; and (ix) income tax paid of approximately HK\$0.9 million.

For the year ended 31 March 2017, we had net cash generated from operating activities of approximately HK\$20.3 million, primarily as a result of (i) profit before taxation of approximately HK\$27.8 million, positively adjusted for depreciation expenses of approximately HK\$0.1 million and finance costs of approximately HK\$0.2 million; (ii) decrease in trade receivables of approximately HK\$9.7 million; (iii) increase in retention money receivables of approximately of HK\$2.1 million; (iv) increase in deposits, prepayments and other receivables of approximately HK\$3.2 million; (v) decrease in amounts due from customers for contract work of approximately HK\$9.7 million; (vi) decrease in trade and retention money payables of approximately HK\$14.7 million; (vii) increase in accruals of approximately HK\$3.6 million, (viii) decrease in amounts due to customers for contract work of approximately HK\$1.9 million; and (ix) income tax paid of approximately HK\$9.0 million.

For the year ended 31 March 2018, we had net cash used in operating activities of approximately HK\$16.4 million, primarily as a result of (i) profit before taxation of approximately HK\$29.1 million, positively adjusted for depreciation expenses of approximately HK\$0.1 million and finance costs of approximately HK\$0.3 million; (ii) increase in trade receivables of approximately HK\$36.8 million; (iii) increase in retention money receivables of approximately of HK\$6.1 million; (iv) increase in deposits, prepayments and other receivables of approximately HK\$10.5 million; (v) increase in amounts due from



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customers for contract work of approximately HK\$44.3 million; (vi) increase in trade and retention money payables of approximately HK\$56.1 million; (vii) decrease in accruals and other payables of approximately HK\$1.4 million; (viii) increase in amounts due to customers for contract work of approximately HK\$4.4 million; and (ix) income tax paid of approximately HK\$7.3 million.

### *Cash flows from investing activities*

Our cash outflows from investing activities primarily include cash used in the purchase of property, plant and equipment.

For the year ended 31 March 2016, we recorded net cash used in investing activities of approximately HK\$0.2 million, which was primarily attributable to cash used in our purchase of property, plant and equipment of approximately HK\$0.2 million.

For the year ended 31 March 2017, we recorded net cash used in investing activities of approximately HK\$0.3 million, which was mainly attributable to cash used in our purchase of property, plant and equipment of approximately HK\$0.3 million.

For the year ended 31 March 2018, we recorded net cash from investing activities of approximately HK\$21,000, which was mainly attributable to cash used in our purchase of property, plant and equipment of approximately HK\$21,000.

### *Cash flows from financing activities*

Our cash inflows from financing activities mainly include proceeds from bank borrowings and repayment from directors, while our cash outflows from financing activities primarily include repayment of bank borrowings, repayment of finance lease payable, repayments to directors and interest paid.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$11.2 million, which was mainly attributable to the repayment of bank borrowings of approximately HK\$19.1 million, repayment of finance lease payables of approximately HK\$68,000, advances to directors of approximately HK\$12.0 million and interest payment of approximately HK\$0.2 million offset by the proceeds from bank borrowings of approximately HK\$20.1 million.

For the year ended 31 March 2017, we had net cash used in financing activities of approximately HK\$3.7 million, which was mainly attributable to the repayment of bank borrowings of approximately HK\$2.2 million, repayment of finance lease payables of approximately HK\$52,000, advances to directors of approximately HK\$12.2 million, interest payment of approximately HK\$0.2 million offset by the proceeds from bank borrowings of approximately HK\$6.0 million and deposit of approximately HK\$5.0 million received from the Pre-IPO Investor.

For the year ended 31 March 2018, we had net cash generated from financing activities of approximately HK\$5.0 million, which was mainly attributable to the proceeds from issue of shares of a subsidiary to one of the Pre-IPO Investor of approximately HK\$10.0 million, proceeds from bank borrowings of approximately HK\$1.4 million and repayments from directors of approximately HK\$0.2 million offset by the repayment of bank borrowings of approximately HK\$6.4 million, interest payment of approximately HK\$0.2 million and repayment of finance lease payables of approximately HK\$52,000.

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### WORKING CAPITAL

Our Directors are of the opinion, and the Sponsor concurs, that taking into consideration the internal resources, the existing indebtedness and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and current liabilities as at each reporting date:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
<b>Current assets</b>				
Trade receivables	22,376	12,665	49,494	54,760
Retention money receivables	17,175	19,287	25,364	19,819
Deposits, prepayments and other receivables	9,328	12,529	23,010	19,428
Amounts due from customers for contract work	26,480	16,758	61,071	104,451
Amounts due from directors	6,240	—	2,398	—
Cash and cash equivalents	19,850	36,165	24,696	23,954
	<u>101,449</u>	<u>97,404</u>	<u>186,033</u>	<u>222,412</u>
<b>Current liabilities</b>				
Trade and retention money payables	41,096	26,404	82,545	115,594
Accruals and other payables	1,900	10,537	4,158	5,128
Amounts due to directors	—	1,241	3,852	—
Amounts due to customers for contract work	1,898	—	4,373	4,433
Bank borrowings	9,716	13,471	8,526	11,902
Obligations under finance leases	52	52	52	52
Current tax liabilities	5,310	1,634	81	1,584
	<u>59,972</u>	<u>53,339</u>	<u>103,587</u>	<u>138,693</u>
Net current assets	<u>41,477</u>	<u>44,065</u>	<u>82,446</u>	<u>83,719</u>

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The key components of our current assets included trade receivables, retention money receivables, deposits, prepayments and other receivables, amounts due from customers for contract work, amounts due from directors and cash and cash equivalents. The key components of our current liabilities included trade and retention money payables, accruals and other payables, amounts due to directors, amounts due to customers for contract work, bank borrowings, obligations under finance leases and current tax liabilities.

We recorded net current assets of approximately HK\$41.5 million and HK\$44.1 million as at 31 March 2016 and 31 March 2017 respectively. The slight increase was mainly due to our business growth in 2017 as compared to 2016 resulting in (i) the increase of our cash and cash equivalent from approximately HK\$19.9 million as at 31 March 2016 to approximately HK\$36.2 million as at 31 March 2017; (ii) the increase of our deposits, prepayment and other receivables from approximately HK\$9.3 million as at 31 March 2016 to approximately HK\$12.5 million as at 31 March 2017; (iii) the increase in retention money receivables from approximately HK\$17.2 million as at 31 March 2016 to approximately HK\$19.3 million as at 31 March 2017; (iv) the decrease in current tax liabilities from approximately HK\$5.3 million as at 31 March 2016 to approximately HK\$1.6 million as at 31 March 2017; and (v) a decrease in trade and retention money payables from approximately HK\$41.1 million as at 31 March 2016 to approximately HK\$26.4 million as at 31 March 2017. The effect was partially offset by (i) a decrease in amount due from customers for contract work from approximately HK\$26.5 million as at 31 March 2016 to approximately HK\$16.8 million as at 31 March 2017; (ii) the decrease in amounts due from director from approximately HK\$6.2 million as at 31 March 2016 to nil as at 31 March 2017; (iii) a decrease in trade receivables from approximately HK\$22.4 million as at 31 March 2016 to approximately HK\$12.7 million as at 31 March 2017; (iv) the increase in accruals and other payables from approximately HK\$1.9 million as at 31 March 2016 to approximately HK\$10.5 million as at 31 March 2017; and (v) the increase in bank borrowings from approximately HK\$9.7 million as at 31 March 2016 to approximately HK\$13.5 million as at 31 March 2017.

We recorded net current assets of approximately HK\$82.4 million as at 31 March 2018. The significant increase was mainly due to our business growth in 2018 as compared to 2017 resulting in (i) the increase of trade receivables from approximately HK\$12.7 million as at 31 March 2017 to approximately HK\$49.5 million as at 31 March 2018; (ii) the increase of retention money receivables from approximately HK\$19.3 million as at 31 March 2017 to approximately HK\$25.4 million as at 31 March 2018; (iii) the increase of our deposits, prepayments and other receivables from approximately HK\$12.5 million as at 31 March 2017 to approximately HK\$23.0 million as at 31 March 2018; (iv) the increase in amounts due from customers for contract work from approximately HK\$16.8 million as at 31 March 2017 to approximately HK\$61.1 million as at 31 March 2018; and (v) the decrease in current tax liabilities from approximately HK\$1.6 million as at 31 March 2017 to approximately HK\$81,000 as at 31 March 2018. The effect was partially offset by (i) the decrease in cash and cash equivalents from approximately HK\$36.2 million as at 31 March 2017 to approximately HK\$24.7 million as at 31 March 2018; (ii) the increase in trade and retention money payables from approximately HK\$26.4 million as at 31 March 2017 to approximately HK\$82.5 million as at 31 March 2018; and (iii) the increase in amounts due to directors from approximately HK\$1.2 million as at 31 March 2017 to approximately HK\$3.9 million as at 31 March 2018.

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### ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

Our Group's property, plant and equipment mainly consist of motor vehicles, furniture and equipment. The carrying amount of our Group's property, plant and equipment slightly increased from approximately HK\$1.1 million as at 31 March 2016 to approximately HK\$1.2 million as at 31 March 2017 and slightly decreased to approximately HK\$1.0 million as at 31 March 2018. For the three years ended 31 March 2018, our Group mainly acquired office equipment such as printers and accounting systems for approximately HK\$0.2 million, HK\$0.3 million and HK\$21,000, respectively at cost.

#### Amounts due from/(to) customers for contract work

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. There is normally a timing difference between the completion of site works and the issuance of progress certificates and billing of the construction projects. Gross amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Gross amounts due to customers for contract work represent the excess of progress billings over contract costs incurred to date plus recognised profit less recognised loss. The following table sets out our Group's gross amounts due from/(to) customers for contract work as at each reporting date:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of reporting periods:			
Contract costs incurred	772,059	846,951	886,331
Recognised profits less recognised losses	<u>73,302</u>	<u>76,601</u>	<u>84,560</u>
	845,361	923,552	970,891
Less: progress billings	<u>(820,779)</u>	<u>(906,794)</u>	<u>(914,193)</u>
	<u>24,582</u>	<u>16,758</u>	<u>56,698</u>
Amounts due from customers for contract work	26,480	16,758	61,071
Amounts due to customers for contract work	<u>(1,898)</u>	<u>—</u>	<u>(4,373)</u>
	<u><u>24,582</u></u>	<u><u>16,758</u></u>	<u><u>56,698</u></u>

The net amounts due from customers for contract work decreased by approximately HK\$7.8 million from approximately HK\$24.6 million as at 31 March 2016 to approximately HK\$16.8 million as at 31 March 2017. Such decrease was primarily attributable to the substantial portion of works carried out for project PES had already certified by the customer's architect during the year ended 31 March 2017.

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The net amounts due from customers for contract work increased by approximately HK\$39.9 million from approximately HK\$16.8 million as at 31 March 2017 to approximately HK\$56.7 million as at 31 March 2018. Such increase was mainly due to project BFR and project FLTR, which had incurred substantial construction costs during the year, but the payment of the relevant works had not yet been certified by the architect of this customer as at 31 March 2018.

The gross amounts due from/(to) customers for contract work vary from period to period due to the impact from the difference in volume and value of construction works we performed close to the end of each reporting periods and timing when we received payment certificates from our customers. The amount of works for our projects subsequently certified up to the Latest Practicable Date was approximately HK\$50.0 million, representing approximately 81.9% of the total amounts due from customers for contract work as at 31 March 2018.

### Trade receivables

Trade receivables decreased from approximately HK\$22.4 million as at 31 March 2016 to approximately HK\$12.7 million as at 31 March 2017 as a result of the repayment by our customers during the year ended 31 March 2017. Trade receivables increased to approximately HK\$49.5 million as at 31 March 2018 which was mainly due to invoices issued to but not yet settled by one of our top five customers during the year ended 31 March 2018 for project BFR and the outstanding amount of this customer increased from nil as at 31 March 2017 to approximately HK\$32.3 million as at 31 March 2018.

Our Directors determine specific provision for doubtful debts on a case-by-case basis having regard to a number of factors, including the ageing of the receivable balance, results of follow-up procedures, customers' credit history and customers' financial position. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our trade receivables which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances, which indicate the balances may not be collectible such as any financial, or liquidity problem of the customers that may result in difficulty in settling the outstanding payments, relevant provision of impairment of trade receivables would be made.

Trade receivables are past due when our customers fail to make payment when due. The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis. Generally, payment is due within a period of not more than 30 days after the issue of the payment certificate by the authorized person or the invoice date of the relevant contract (as the case may be). The following table sets forth the turnover days of the trade receivables for the periods indicated:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Trade receivables turnover days	<u>18.0 days</u>	<u>17.2 days</u>	<u>25.3 days</u>

*Note:* Average trade receivables equal the average of trade receivables at the beginning and the end of period. Average trade receivables turnover days for the three years ended 31 March 2016, 2017 and 2018 equal the average trade receivables divided by revenue for the relevant period and multiplied by 365 days.

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Our trade receivables turnover days were approximately 18.0 days for the year ended 31 March 2016, decreased slightly to approximately 17.2 days for the year ended 31 March 2017 and increased to approximately 25.3 days for the year ended 31 March 2018. The trade receivables days during the Track Record Period are within the credit period granted to our customers.

As at Latest Practicable Date, 100% of the trade receivables as at 31 March 2018 were subsequently settled.

The following table sets forth a summary of aged analysis of trade receivables presented based on the invoice date, which is after our customer having issued the interim certificate, as at the end of each reporting period:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 1 month	22,376	12,395	49,417
More than 1 month but less than 3 months	—	—	77
More than 3 months but less than one year	—	270	—
	22,376	12,665	49,494
<b>Total trade receivables</b>	<b>22,376</b>	<b>12,665</b>	<b>49,494</b>

Aging analysis of trade receivables which are past due but not impaired, as at the end of each reporting period are as follows:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 3 months past due	—	—	77
More than 3 months but less than one year past due	—	270	—
	—	270	77
<b>Total trade receivables</b>	<b>—</b>	<b>270</b>	<b>77</b>

Trade receivables of approximately HK\$22.4 million, HK\$12.4 million and HK\$49.4 million as at 31 March 2016, 2017 and 2018 respectively were not yet past due, representing approximately 100%, 97.9% and 99.8% of our trade receivables respectively.

The trade receivables balance which are past due but not impaired as at 31 March 2018 represented a customer with no historical defaults of payments and our Directors consider that such outstanding balance is collectible.

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### Retention money receivables

Retention money receivables amounted to approximately HK\$17.2 million, HK\$19.3 million and HK\$25.4 million as at 31 March 2016, 2017 and 2018 respectively.

The following table sets forth ageing analysis of retention money receivables based on the due date, generally referring to the certificate of making good defect date, which indicates the expiration of the defect liability period, as at the end of each year of the Track Record Period as follow:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<u>17,175</u>	<u>19,287</u>	<u>25,364</u>

After our customers issued the payment certificate, we will then issue an invoice to our customers. Our customer will usually retain 5% to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money. In general, 50% of the retention money is released to us upon completion of a project and the remaining 50% will be released to us upon expiration of the defects liability period of a project or the receipt of final account. Please refer to the section “Business — Operation flow” for details.

We determine the provision for impairment of retention money receivables on a project-by-project basis having regard to a number of factors, including the terms of release of retention money as agreed with customers, the ageing of the receivable balance, results of follow-up procedures, customers’ credit history, customers’ financial position and the current market condition. During the Track Record Period, no retention money receivables was individually determined to be impaired.

Retention money is usually withheld by customers for a period of time until the end of the defect liability period or the receipt of final account. As at 31 March 2016, 2017 and 2018, our retention money receivables were nil, nil and nil, respectively which were past due but not impaired by our Group. Approximately 78.1% of the retention money receivables as at 31 March 2018 remain outstanding as at Latest Practicable Date. The outstanding retention money receivables as at Latest Practicable Date mainly represented retention money in relation to three projects in progress as at Latest Practicable Date. In view of the nature of retention money receivables, past payment record and our collection experience with these customers, our Directors consider that the outstanding balances of retention receivables are collectible.

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### Deposits, prepayments, and other receivables

The following table sets out a summary of our deposits, prepayments and other receivables as at the end of each reporting period indicated:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	6,180	5,022	7,967
Prepayments	2,369	5,032	8,475
Deferred Listing expense	—	1,435	2,714
Other receivables	<u>779</u>	<u>1,040</u>	<u>3,854</u>
	<u><u>9,328</u></u>	<u><u>12,529</u></u>	<u><u>23,010</u></u>

Deposits mainly represent deposits placed with an insurance company for issuance of non-interest bearing surety bonds for construction contracts. Deposits increased from approximately HK\$5.0 million as at 31 March 2017 to approximately HK\$8.0 million as at 31 March 2018 was mainly due to the surety bond deposit for cash collateral of approximately HK\$3.0 million for project BFR. Prepayments represent prepayment for insurance and advance payments to subcontractors. Prepayments increased from approximately HK\$2.4 million as at 31 March 2016 to approximately HK\$5.0 million as at 31 March 2017 due to increased employees' compensation insurance and contractors' all risk insurance prepaid for project LMR and project FLTR. The further increase as at 31 March 2018 was mainly due to increased employees' compensation insurance and contractor's all risk insurance prepaid for project BFR. Deferred Listing expense amounted to approximately HK\$1.4 million and approximately HK\$2.7 million as at 31 March 2017 and 31 March 2018 respectively which were primarily related to prepayments for Listing expense. The balance of other receivables as at 31 March 2018 mainly represents payment in advance to employees' occupational injuries, which will be refunded by the insurance company in the future.

### Amounts due from directors

The amount due from our Directors are unsecured, interest-free, repayable on demand and are non-trade in nature. The amount due from directors amounted to approximately HK\$6.2 million, nil and HK\$2.4 million as at 31 March 2016, 2017 and 2018 respectively. During the year ended 31 March 2017, the shareholders of Head Fame agreed to repay the dividends of HK\$19.8 million by way of set-off against the amounts due from directors. Our Group's amounts due from directors mainly include advances to directors. The outstanding amount as at 31 March 2018 was fully settled by way of dividend declaration on 30 May 2018.



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### Cash and cash equivalents

The cash and cash equivalents amounted to approximately HK\$19.9 million, HK\$36.2 million and HK\$24.7 million as at 31 March 2016, 2017 and 2018 respectively. The significant increase in cash and cash equivalents as at 31 March 2017 were primarily due to increase in cash generated from operations amounted to approximately HK\$20.3 million. The decrease in cash and cash equivalents as at 31 March 2018 was primarily due to the cash used in operating activities amounted to approximately HK\$16.4 million. For details, please refer to the paragraph headed “Cash Flows” above.

### Trade and retention money payables

The following table sets out a breakdown of our trade and other payables as at each reporting date:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	36,032	12,470	57,309
Retention money payables	<u>5,064</u>	<u>13,934</u>	<u>25,236</u>
	<u><u>41,096</u></u>	<u><u>26,404</u></u>	<u><u>82,545</u></u>

#### *Trade payables*

Trade payables principally comprise payables to (i) the suppliers of construction materials; (ii) subcontractors for our projects and (iii) machinery suppliers. Trade payables decreased from approximately HK\$36.0 million as at 31 March 2016 to approximately HK\$12.5 million as at 31 March 2017, mainly due to our suppliers and subcontractors had speed up their payment before the year ended 31 March 2017. The balance of trade payables increased from approximately HK\$12.5 million as at 31 March 2017 to approximately HK\$57.3 million as at 31 March 2018, the significant increase was mainly due to the increase in subcontracting fees incurred which were not settled before the year end.

The following table sets out the turnover days of trade payables for the periods indicated:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Trade payables turnover days ( <i>Note</i> )	<u>42.6 days</u>	<u>26.6 days</u>	<u>31.5 days</u>

*Note:* Average trade payables equal the average of trade payables at the beginning and the end of the period. Average trade payables turnover days for the three years ended 31 March 2016, 2017 and 2018 equal the average trade payables divided by direct costs for the relevant period and multiplied by 365 days.

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Our trade payables turnover days decreased from approximately 42.6 days for the year ended 31 March 2016 to approximately 26.6 days for the year ended 31 March 2017 and increased to approximately 31.5 days for the year ended 31 March 2018. The credit period granted by our subcontractors is normally within 30 days upon issuance of payment certificate.

The following table illustrates the ageing analysis of the trade payables based on invoice date as at each reporting date:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	29,198	11,418	39,405
31–90 days	5,864	—	15,822
91–365 days	748	501	548
Over 1 year	<u>222</u>	<u>551</u>	<u>1,534</u>
	<u><u>36,032</u></u>	<u><u>12,470</u></u>	<u><u>57,309</u></u>

Approximately 95% of the trade payables as at 31 March 2018 were subsequently settled up to the Latest Practicable Date.

### *Retention money payables*

Retention money payables represent the amounts we withheld from progress payments to our subcontractors. We may hold up a certain percentage of each interim payment made to the subcontractors as retention money. Such percentage is generally ranges from 5% to 10%, subject to a ceiling of up to 5% of the total contract sum of the projects in general. Unless otherwise agreed, the retention monies or such portion thereof shall be held for twelve months after the satisfactory completion of the subcontracting works. Retention money payables increased from approximately HK\$5.1 million as at 31 March 2016 to approximately HK\$13.9 million as at 31 March 2017 and further increased to approximately HK\$25.2 million as at 31 March 2018, such increase is in line with our increased amount of work subcontracted to our subcontractors during the Track Record Period.

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### Accruals and other payables

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrual expenses	1,900	3,502	3,833
Other payables	<u>—</u>	<u>7,035</u>	<u>325</u>
	<u>1,900</u>	<u>10,537</u>	<u>4,158</u>

Accrued expenses mainly represent accrued levy fees collected by government and accruals for staff salaries and allowances. Other payables as at 31 March 2017 mainly represent a consideration of HK\$5.0 million received from Pre-IPO Investors for acquiring 10 shares of Century Success after the year ended 31 March 2017. For details of the Pre-IPO Investment, please refer to section headed “History, Development and Reorganisation — Pre-IPO Investments”.

### Amounts due to directors

The amounts due to directors was unsecured, interest-free and repayable on demand. The amounts due to directors amounted to nil, approximately HK\$1.2 million and HK\$3.9 million as at 31 March 2016, 2017 and 2018 respectively. All balances due to directors are fully settled as at Latest Practicable Date.

### Tax payable

The tax payable balances of our Group were approximately HK\$5.3 million, HK\$1.6 million and HK\$81,000 as at 31 March 2016, 2017 and 2018 respectively.

The Group’s income tax expenses recognised in the Accountants’ Report of approximately HK\$3.9 million, HK\$5.3 million and HK\$5.8 million for the years ended 31 March 2016, 2017 and 2018 respectively were calculated at 16.5% of the estimated assessable profits for the respective financial years. The tax amounts paid by the Group of approximately HK\$0.9 million, HK\$9.0 million and HK\$7.3 million for years ended 31 March 2016, 2017 and 2018 respectively were recognised based on the actual tax payment made in accordance with the tax assessments issued by the Inland Revenue Department (“IRD”) after filing the profits tax returns and/or revised tax computation for the relevant years. The amount of tax demanded under the tax assessments would include both final tax payable/ (repayable) and provisional tax payable. While there is no fixed schedule for the IRD to issue the tax assessments, the tax assessments for years ended 31 March 2016, 2017 and 2018 were generally issued by the IRD to Head Fame around 9 months after the end of the financial year end concerned. For example, the notice of additional assessment for the year of assessment 2014/2015 was issued on 15 September 2016 demanding additional tax of approximately HK\$2.6 million falling into the year ended 31 March 2017. A reconciliation showing the Group’s income tax expense as recognised in the

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Accountants' Report and income tax payable based on the initial profits tax returns is illustrated as follows:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income tax payable as at beginning of the year	2,276	5,310	1,634
Income tax paid:			
Final tax paid			
— Final tax assessed by the IRD for 2014/2015	(1,413)	—	—
— Final tax assessed by the IRD for 2015/2016	—	(3,910)	—
— Final tax assessed by the IRD for 2016/2017	—	—	(5,618)
Provisional tax for current year already paid			
— Provisional tax for 2014/2015 and paid in year ended 31 March 2015	1,976	—	—
— Provisional tax for 2015/2016 and paid in year ended 31 March 2016	—	1,433	—
— Provisional tax for 2016/2017 and paid in year ended 31 March 2017	—	—	3,929
Provisional tax charged			
— Provisional tax for 2015/2016	(1,433)	—	—
— Provisional tax for 2016/2017	—	(3,929)	—
— Provisional tax for 2017/2018	—	—	(5,639)
Additional tax due to revised tax filing for year of assessment 2014/15			
— Related to accounting errors for year ended 31 March 2015	—	(1,220)	—
— Related to accounting errors for years prior to year ended 31 March 2015	—	(1,620)	—
— Related to reversal of deferral of deduction claim on administrative and finance expense	—	236	—
	-----	-----	-----
Income tax paid per Accountants' Report	(870)	(9,010)	(7,328)
Income tax expense per Accountants' Report	----- 3,904	----- 5,334	----- 5,775
Income tax payable as at end of the year	<u>5,310</u>	<u>1,634</u>	<u>81</u>

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The significant difference between the tax provision made by our Group and the tax paid by our Group for the year ended 31 March 2017 was due to the additional tax paid of approximately HK\$2.6 million resulting from the additional tax assessment for 2014/15. The additional tax assessment was primarily attributable to (i) the reversal of the tax treatment (deferral of tax deduction claim) on certain portion of administrative expenses and finance expenses in the revised profits tax filing of our principal operating subsidiary, Head Fame; and (ii) adjustments to the financial statements for the year ended 31 March 2015 of Head Fame to rectify the accounting errors in the application of the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard in the financial statements for prior reporting periods. The following table illustrated (i) a summary of the nature and amounts of accounting adjustments made as a result of the accounting errors identified in the financial statements and (ii) the tax effect of the said accounting adjustments and reversal of deferral of deduction claim on administrative and finance expenses previously made in initial profits tax return:

	<b>Prior to the year ended 31 March 2015 HK\$'000</b>	<b>For the year ended 31 March 2015 HK\$'000</b>	<b>Total HK\$'000</b>
Nature and financial effects of the accounting adjustments:			
— Adjustments were made to account for accruals in respect of goods and services that had been received by Head Fame in the period that they occurred. <i>(note a)</i>			
<i>(Increase)/Decrease in construction contract costs in respect of the projects:</i>	2,236	(20,446)	(18,210)
— Adjustments were made to comply with the requirements of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” on making provision. <i>(note b)</i>			
<i>(Increase)/Decrease in provision for contingency costs in respect of the projects:</i>	6,530	(2,397)	4,133
— Adjustments were made to recognise revenue from construction contracts in accordance with HKAS 11 “Construction Contracts” <i>(note c)</i>			
<i>Increase in construction contract revenue in respect of the projects:</i>	1,050	30,235	31,285
Total effect of accounting adjustments on the net profit	9,816	7,392	17,208
Tax effect thereon	1,620	1,220	2,840
Tax effect of reversal of deferral of deduction claim on administrative and finance expenses previously made in initial profits tax return			(236)
Additional tax paid			2,604

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*Note:*

**(a) Recognition of construction contract costs**

In the financial statements used for preparing the initial profits tax return, contract construction costs were recognised in the period in which they were paid (i.e. on a cash basis), instead of recognising on an accrual basis.

Accordingly, in the preparation of the financial statements for the year ended 31 March 2016, prior year adjustments were made to account for accruals in respect of goods and services that had been received by Head Fame in the period that they occurred.

When preparing the financial statements for financial years subsequent to the year ended 31 March 2015 and the Accountants' Report, contract construction costs had been recognised on an accrual basis as required under paragraph 27 of Hong Kong Accounting Standard ("HKAS") 1 "Presentation of Financial Statements".

**(b) Provision for contingency costs**

In the financial statements used for preparing the initial profits tax return, a general provision for contingency costs relating to construction contracts was previously recognised at the end of the reporting period based on judgment and estimates made by our Directors. The provision was made to estimate the accrued construction costs with a view to matching the contract revenue already recognised and the provision was estimated by reference to the judgement and estimates made by the management whom was not aware that the basis of estimating the provision not in accordance with the requirements under the SME-FRF & SME-FRS until the change of auditor for the year ended 31 March 2016.

This is not in accordance with the requirement under Section 10 "Provisions, Contingent Liabilities and Contingent Assets" of the SME-FRF & SME-FRS or paragraph 14 of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Accordingly, in the preparation of the financial statements for the year ended 31 March 2016, prior year adjustments were made to rectify the accounting error and reverse the general provision totaling HK\$4,133,000.

When preparing the financial statements for financial years subsequent to the year ended 31 March 2015 and the Accountants' Report, the above general provision was not accounted for in accordance with paragraph 14 of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

**(c) Revenue recognition on construction contracts**

In the financial statements used for preparing the initial profits tax return, revenue associated with construction contracts was recognised based on interim period certificates received from independent surveyors by the end of reporting period. The revenue for interim period certificates received after the end of reporting period were not properly recognised as certain revenue certified by the independent surveyors were related to construction works carried out in the previous reporting period.

Accordingly, in the preparation of the financial statements for the year ended 31 March 2016, prior year adjustments were made to recognise revenue from construction contracts based on the stage of completion, measured by reference to the proportion of contract costs incurred to date bear to the estimated total costs of the relevant contracts.

When preparing the financial statements for financial years subsequent to the year ended 31 March 2015 and the Accountants' Report, construction contracts revenue had been recognised by reference to the stage of completion of the contract activity as required under paragraph 22 of HKAS 11 "Construction Contracts".

The accounting errors mentioned above was in relation to the recognition of contract revenue and contract costs for our construction contracts. The accounting errors were revealed in the course of the preparation of the financial statements for the year ended 31 March 2016. The occurrence of such errors was mainly due to inadequate professional accounting training of our accounting staff to adopt proper accounting standard. These errors on the recognition of construction revenue and costs also resulted in

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an understatement of profits and non-compliance of applicable accounting standard. Consequently, the assessable profits in the tax return filed by Head Fame to IRD were understated for the year ended 31 March 2015.

Head Fame had voluntarily deferred the deduction claim on certain portion of administrative and finance expenses incurred in the initial profits tax computation for the year of assessment 2014/2015. These administrative and finance expenses were revenue in nature and could be treated as deductible under the Inland Revenue Ordinance (“IRO”). However, in the initial profits tax computation, the expenses were apportioned by reference to the contingency cost provision for incomplete projects over the total construction cost of the completed and incomplete projects during the year concerned. The apportioned amount was treated as non-deductible in the year when they were recognised in the financial statements but treated as deductible in the following year. The tax adjustment was made with a view to matching the basis of recognition of the construction contracts revenue and construction contract costs. Following the change in the recognition basis of the construction contract revenue and construction contract costs in the revised financial statements for the year ended 31 March 2015 in accordance with the Hong Kong Financial Reporting Standards, it is considered that the provision for contingency cost should be removed and thus the deferral of deduction claim on those administrative and finance expenses were no longer appropriate. Accordingly, all the administrative and finance expenses which were deductible under the IRO during the year ended 31 March 2015 should be treated as deductible.

After the abovementioned tax incident, we have performed the following remedial actions to rectify the situation:

- (i) Upon revealing of the errors, Head Fame has rectified its accounts for the year ended 31 March 2015 by adopting appropriate accounting policies on the construction contracts by recognising the revenue on the stage of completion basis. These rectifications include the adjustments on Head Fame’s opening balances of retained profits as at 1 April 2014 (adjusted for errors prior to 1 April 2014) and its profit and total comprehensive income for the year ended 31 March 2015 for approximately HK\$8.2 million and HK\$6.2 million, respectively.
- (ii) Our Reporting Accountants have performed appropriate procedures on the retained profits and opening balances on the statement of financial position of Head Fame as at 1 April 2014 including the review of the project summary containing details of all projects undertaken by Head Fame and identify the projects which commenced on or before 1 April 2014 and remained ongoing after the same date to assess if there are any accounting errors on contract revenue and their corresponding costs. Based on the above procedures performed, no material findings were identified by the Reporting Accountants.
- (iii) We have employed Mr. Wong, a certified public accountant, as our chief financial officer to review our Group’s accounting records, including the accounting records prior to the Track Record Period, where no such accounting errors requiring further adjustments were identified. Mr. Wong also reviewed our accounting records during the Track Record Period and up to the Latest Practicable Date and found that the contract revenue and corresponding costs for all other projects have been recognised by reference to the stage of completion and no similar accounting errors were identified.

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- (iv) We have newly appointed an independent tax adviser (the “**Hong Kong Tax Adviser**”) as the tax representative for handling the profits tax return filings, commencing from year of assessment 2015/16. In addition, we have engaged the Hong Kong Tax Adviser to review the profits tax impact of prior year adjustments (“**PYAs**”) for the relevant years. As a result of the abovementioned adjustments, potential adjustments on the assessable profits for 2014/15 were identified. Based on the Hong Kong Tax Adviser’s assessment, the amount of tax undercharged was approximately HK\$2.6 million and tax provision has been made for these undercharged tax amounts. We had also instructed the Hong Kong Tax Adviser to voluntarily notify the IRD in this regard by submitting the revised tax computation for the year of assessment 2014/15 to the IRD on 31 August 2016. The IRD then issued additional assessment for 2014/15 to Head Fame on 15 September 2016 per revised tax computation submitted and the additional final tax for 2014/15 has been settled by Head Fame.

Despite the above rectification measures, there was a risk that Head Fame might be charged by the IRD under section 80(2) or section 82A of the IRO which provide penalties for persons filing incorrect returns without reasonable excuse. Prosecution under Section 80(2) of the IRO is, at the maximum, subject to a fine of HK\$10,000 and a further fine of treble the amount of tax which has been undercharged in consequence of such incorrect return. The IRD may compound the penalty by way of additional tax under institution of section 82A of the IRO under which the maximum exposure is additional tax of an amount not exceeding treble the amount of tax which has been undercharged in consequence of such incorrect return.

In this regard, our Group has obtained a Hong Kong tax opinion (the “**Tax Opinion**”) issued by the Hong Kong Tax Adviser with respect to the amount of tax undercharged and the potential penalty that may be imposed on Head Fame by the IRD. Based on the Tax Opinion, the Hong Kong Tax Adviser considered that the IRD may assess this case as filing incorrect return without reasonable excuse. The usual practice of the IRD is to assess penalties by way of additional tax under section 82A of the IRO. The Hong Kong Tax Adviser also considers that, in all the circumstances of this case, in particular in the absence of clear evidence of our Group’s intention to evade tax, the IRD may consider the case as “recklessness” under “full voluntary disclosure” in determining the penalty loading. The potential additional tax under section 82A may be in the range of HK\$260,368 (HK\$2,603,682 x 10%) plus interest to HK\$1,171,656 (HK\$2,603,682 x 45%) according to the penalty policy guideline from the IRD.

With that said, given that (i) after examination by issuing an enquiry letter dated 24 January 2017, the IRD confirmed their agreement to the revised tax computation, (ii) the IRD’s case assessor in-charge has verbally confirmed that the IRD would not take any further action in relation to the revised profits tax filing for 2014/15; and (iii) Head Fame has not received any letter from the IRD in relation to their proposal to impose penalty for the incorrect tax return filing for 2014/15 as at the Latest Practicable Date, the Hong Kong Tax Adviser was of the view that the likelihood of the IRD to take any penalty actions in consequence of the filing of revised tax computation for 2014/15 was low. On this basis, the management of our Group considered that no provision for the potential penalty was required to be made to the Group’s financial statements for the Track Record Period.

Pursuant to the statutory requirements of the IRO and other relevant legal principles established in the precedent court case, the profits tax position of our Group for the relevant years should generally be computed based on the accounts ascertained in accordance with the prevailing generally accepted



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principles of commercial accounting and should not be inconsistent with any provision in the IRO. On such basis and taking into account that our statutory auditor and Reporting Accountants did not issue any qualified opinion on our opening balances (including our retained profits as at 1 April 2014), the management of our Group considered that there should be no corresponding material adjustments, error, omission, or understatement of our Group's assessable profits in the years prior to 1 April 2014 and the tax position of our Group for the years prior to 1 April 2014 remains unaffected and valid.

In any event, our Controlling Shareholders have provided indemnity under the Deed of Indemnity in favour of our Group from and against taxation (including undercharged tax, if any) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date. For detailed terms of the Deed of Indemnity, please refer to the subsection headed "Statutory and General Information — Other information — 13. Tax and other indemnities" of Appendix IV to this prospectus.

To avoid similar incidents happening, we have adopted the following measures:

- (a) adopted written policies detailing the relevant accounting standards and procedures in respect of the recognition of contract revenue from superstructure building works contracts and RMAA works contracts including having monthly meeting with the project managers to understand the stage of completion of each project for appropriate recognition of revenue and costs;
- (b) employed Mr. Wong, a certified public accountant, as chief financial officer of our operating subsidiary, Head Fame, in March 2017, to oversee the accounting department and monitor financial reporting procedures to ensure the adoption of proper accounting policies. Please refer to the subsection headed "Directors and Senior Management — Senior Management" in this prospectus for the biography of Mr. Wong;
- (c) Mr. Wong shall review the monthly management accounts prepared by the accounting team and involved in preparation of financial statements of the Group to ensure that they are prepared in accordance with the HKFRSs, which will then be reviewed and approved by the Board of Directors;
- (d) regularly arrange its accounting team to attend training courses organised by accounting professional to enhance their accounting knowledge and to ensure compliance with accounting standards; and
- (e) Mr. Wong will also be responsible for reviewing the tax returns filed with the IRD, and if necessary, tax consultant will be consulted to ensure tax related laws and requirements are complied with.

Our internal control consultant, an Independent Third Party, has reviewed the above internal control policy where no material control deficiency has been identified and is satisfied that we have effective control measures to ensure ongoing compliance with the financial reporting standards.

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### Views of our Directors and the Sponsor

Having considered the background leading to the tax incident mentioned above and the views from our internal control consultant on our Group's internal control system, our Directors are of the view, and the Sponsor concurs that (i) the various internal control measures adopted by our Group are adequate and effective; and (ii) the tax incident identified does not materially affect the suitability for our Company's listing under Rule 8.04 of the Listing Rules.

### INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
<b>Current liabilities</b>				
Bank borrowings	9,716	13,471	8,526	11,902
Obligations under finance leases	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>
	<u>9,768</u>	<u>13,523</u>	<u>8,578</u>	<u>11,954</u>
<b>Non-current liabilities</b>				
Obligations under finance leases	<u>134</u>	<u>82</u>	<u>30</u>	<u>17</u>

### Bank borrowings

The table below sets for the indebtedness of our Group as at respective dated indicated.

	<b>As at 31 March</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
Interest bearing bank borrowings which contain a repayable on demand clause and classified as current liabilities	9,716	13,471	8,526	11,902

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Our Group has secured bank borrowings of approximately HK\$9.7 million, HK\$13.5 million, HK\$8.5 million and HK\$11.9 million respectively as at 31 March 2016, 2017, 2018 and 30 June 2018 respectively. All bank borrowings are repayable on demand. Our Group's bank borrowings were primarily used in financing the working capital requirement of our operating activities.

- (i) The bank borrowings are secured by personal guarantees given by Mr. KT Chan and Mr. KM Chan, and the spouse of Mr. KM Chan, and properties directly and indirectly held by Mr. KT Chan and Mr. KM Chan. Interests are charged at prime rate minus 2.8% and prime rate minus 2.5% per annum, prime rate minus 2.8% and prime rate minus 2.5% per annum and prime rate minus 2.8% and Hong Kong Interbank offered rate plus 1.8% per annum for the year ended 31 March 2016, 2017 and 2018, respectively. The Directors confirmed that personal guarantees and collateral security will be released and replaced by the Group's corporate guarantee and certain amount of pledged deposits upon Listing.
- (ii) Part of the Group's bank borrowings with scheduled repayments after one year are classified as current liabilities as the related loan agreements contain a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year from the end of each of the Track Record Period.

As at 30 June 2018, being the latest practicable date for the purpose of the indebtedness statement, we had banking facilities of approximately HK\$44.3 million, of which approximately HK\$25.3 million were utilised. The utilised banking facilities as at 30 June 2018 represented surety bond issued amounted to approximately HK\$11.2 million and secured bank borrowings of approximately HK\$11.9 million, of which approximately HK\$2.2 million have been repaid before 30 June 2018. As at 30 June 2018, our Group had unutilised banking facilities amounted to approximately HK\$19.0 million. The Directors confirmed that the personal guarantees and collateral security in relation to the banking facilities will be released and replaced by the Group's corporate guarantee and certain amount of pledged deposits upon Listing.

During the Track Record Period and as at the Latest Practicable Date, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions. Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings or default in payment on bank borrowings during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

Our Directors confirm that our Group does not have any material external debt financing plans as at the Latest Practicable Date.

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All of our bank facilities are subject to the fulfillment of covenants relating to our Group's financial position, certain requirement on the operation and the dividend payment, as are commonly found in lending arrangements with financial institutions. Our Group regularly monitors its compliance with these covenants and is up to date with the scheduled repayments of the bank borrowings. As at 31 March 2016, there was a breach of one of the covenants on the bank borrowings agreed in February 2016 regarding the minimum level of trade receivables transactions routing through the operation account maintained with a bank. Subsequent to the breach, our Group has notified the breach to the bank. The bank has indicated to our Group that since the covenant was newly agreed, the subject bank would allow a reasonable timeframe for our Group to comply with this new covenant. During the year ended 31 March 2017, our Group has rectified the breach. Our Directors confirm that we have fulfilled all covenants of the banking facilities subsequent to the breach and up to the Latest Practicable Date. For details of the breach of covenants, please refer to "Appendix I — I-25" in this prospectus.

### Obligations under finance leases

Our Group leased one, one and one motor vehicle as at 31 March 2016, 2017 and 2018, respectively and these leases are classified as finance leases.

As at 31 March 2016, 2017 and 2018, our total finance lease liabilities (including both current and non-current portions) were approximately HK\$0.2 million, HK\$0.1 million and HK\$0.1 million, respectively. The carrying amount of all finance lease liabilities are denominated in HK dollars.

The future lease payments under the finance leases are due as follows:

	<b>As at 31 March</b>			<b>As at 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Amounts payable under finance leases				
due within one year	60	60	61	61
due in the second year	61	61	35	20
due in the third to fifth years	96	35	—	—
	217	156	96	81
Future finance charges on finance lease	(31)	(22)	(14)	(12)
Present value of obligations under finance leases	186	134	82	69

Please refer to the section headed "Appendix I — Accountants' Report — 20. Trade and retention money payables" in this prospectus for the present value of finance lease liabilities.

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Except as disclosed above, as of 30 June 2018, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

### Contingent Liabilities

#### *Guarantee*

Our Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain construction contracts as at the respective dates indicated.

	<b>As at 31 March</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
Aggregate value of the surety bonds issued in favour of customers	40,868	45,813	35,934	35,934

The surety bonds were given in favour of some of our customers as security for the due performance and observance of our obligations under the contracts entered into between us and our customers. If our Group fails to provide satisfactory performance to our customers to whom surety bonds have been given, such customers may demand the bank/insurance company to pay to them the sum or sums stipulated in such demand. Our Group will become liable to compensate the relevant bank/insurance company accordingly. The surety bonds will be released upon completion of the respective contract works. The surety bonds were granted under the banking facilities or secured by corporate guarantee and personal guarantees provided by Directors as set out in note 22 to the Accountants' Report.

At the end of the Track Record Period, our Directors do not consider it probable that a claim will be made against our Group and hence no provision was made for the guarantees in respect of the aforesaid surety bonds.

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### CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily comprised of additions to property, plant and equipment in line with our business expansion. The following table sets out our Group's capital expenditure for the periods indicated. Our capital expenditures were mainly financed by finance leases and funded by cash generated from operations.

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Furniture and equipment	178	307	21

The Company confirmed that capital expenditure, amounting to HK\$34,000, will be incurred for the year ending 31 March 2019.

### COMMITMENTS

#### Operating lease commitments — Group as lessee

At each of the reporting date, the total future minimum leases payments payable under non-cancellable operating leases were payable as follows:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	312	324	372
More than one year, but not exceeding two years	564	278	—
	876	602	372

As at 31 March 2018, our Group was the lessee in respect of office premises and storage rooms under operating leases. The leases run for an initial period of 24 to 36 months and the leases do not include contingent rentals.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Group did not enter into any material off-balance sheet arrangement or commitments.

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### KEY FINANCIAL RATIOS

	<b>As at/for the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Current ratio (times) <sup>1</sup>	1.7	1.8	1.8
Gearing ratio (%) <sup>2</sup>	23.3	30.1	10.3
Debt to equity ratio (%) <sup>3</sup>	N/A	N/A	N/A
Interest coverage (times) <sup>4</sup>	113.8	130.3	115.1
Return on assets (%) <sup>5</sup>	19.2	22.8	12.5
Return on equity (%) <sup>6</sup>	46.3	49.8	27.9
Net profit margin (%) <sup>7</sup>	6.1	6.0	5.2

*Notes:*

1. The current ratio is calculated by dividing current assets with current liabilities as at the end of each reporting period.
2. The gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the end of each reporting period.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting year/period.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year/period.
5. Return on assets is calculated by the total comprehensive income for the year or period divided by the total assets as at the end of each reporting year and multiplied by 100%.
6. Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year or period end and multiplied by 100%.
7. The net profit margin is calculated by dividing the net profit by the revenue for the respective year/period multiplied by 100%.

#### **Current ratio**

Our current ratio remained relatively stable at approximately 1.7, 1.8 and 1.8 as at 31 March 2016, 2017 and 2018 respectively. Such increase was primarily due to the increase in trade receivables resulting from the business growth over the period. Please refer to the paragraph headed “Net Current Assets” in this section for details.

#### **Gearing ratio**

Our gearing ratio was approximately 23.3%, 30.1% and 10.3% as at 31 March 2016, 2017 and 2018 respectively. The increase in gearing ratio as at 31 March 2017 was mainly attributable to the increase of our Group’s bank borrowings. The decrease in gearing ratio as at 31 March 2018 was mainly attributable to the increase of our Group’s total equity resulted from the increase of retained earnings of approximately HK\$23.3 million and the issue of shares by a subsidiary to the Pre-IPO Investor of approximately HK\$15.0 million.

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### **Debt to equity ratio**

During the Track Record Period, we had cash and cash equivalents in excess of our bank borrowings and finance lease payables.

### **Interest coverage**

Our interest coverage was approximately 113.8 times, 130.3 times and 115.1 times as at 31 March 2016, 2017 and 2018 respectively. Our Group's interest coverage increased over the three years ended 31 March 2018 mainly because our operating profit before interest and tax increased as a result of the continuing business growth, respectively. Further details on our financial performance are set out in the paragraph "Period-to-period Comparison of Results of Operations" in this section.

### **Return on assets**

Our return on assets was approximately 19.2%, 22.8% and 12.5% for the years ended 31 March 2016, 2017 and 2018 respectively. Our Group's return on total assets further increased to approximately 22.8% for the year ended 31 March 2017 due to (i) the increase of our net profit resulting from the business growth for the period and (ii) the decrease in total assets resulting from decrease in trade receivables and amount due from customers for contract work as at 31 March 2017.

### **Return on equity**

Our return on equity was approximately 46.3%, 49.8% and 27.9% for the years ended 31 March 2016, 2017 and 2018 respectively. The return on equity increased for the year ended 31 March 2017 was mainly attributable to the dividend declared and paid of approximately HK\$19.8 million for the year ended 31 March 2017.

### **Net profit margin**

Our net profit margin was approximately 6.1%, 6.0% and 5.2% for the three years ended 31 March 2018 respectively. A decrease is recorded for the year ended 31 March 2017 as compared to 31 March 2016 primarily due to the increase in the Listing expenses of approximately HK\$4.3 million for the year ended 31 March 2017.

## **RELATED PARTY TRANSACTIONS**

With respect to the related party transaction set out in note 27 of the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or such terms were no less favourable to us than terms available from independent third parties and were fair and reasonable and in the interest of the Shareholders as a whole. Our Directors further confirm that such related party transactions did not distort our Group's results during the Track Record Period and would not make our Group's historical results not reflective of future performance.



## FINANCIAL INFORMATION

### FINANCIAL RISK MANAGEMENT

Our Group is exposed to credit risk, interest rate risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to note 29 of the Accountants' Report in Appendix I to this prospectus.

### UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set forth here to illustrate the effect of the proposed Share Offer on the consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 March 2018 as if the Proposed Share Offer had taken place on 31 March 2018. Because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 March 2018 or at any future dates following the Proposed Share Offer.

	<b>Consolidated net tangible assets attributable to the owners of the Company as at 31 March 2018 HK\$'000 (note 1)</b>	<b>Estimated net proceeds from the Proposed Share Offer HK\$'000 (note 2)</b>	<b>Unaudited pro forma consolidated net tangible assets attributable to the owners of the Company HK\$'000</b>	<b>Unaudited pro forma consolidated net tangible assets attributable to the owners of the Company per Share HK\$ (note 3)</b>
Based on the Offer Price of HK\$0.45 per Share	83,463	69,480	152,943	0.19
Based on the Offer Price of HK\$0.55 per Share	83,463	88,078	171,541	0.21

*Notes:*

- (1) The audited consolidated net tangible assets of our Group attributable to owners of the Company as at 31 March 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Proposed Share Offer are based on 200,000,000 New Shares and the indicative Offer Price of HK\$0.45 and HK\$0.55 per Share, being the minimum and maximum Offer Price per Share, respectively, assuming no exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme, after deduction of the underwriting fees and other related expenses payable and borne by the Company which have not been reflected in consolidated net tangible assets of our Group as at 31 March 2018.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Proposed Share Offer and the Capitalisation Issue assuming the proposed Share Offer had been completed on 31 March 2018

## FINANCIAL INFORMATION

and no exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus or otherwise.

- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018. In particular, on 30 May 2018, the directors of the Company declared a dividend of HK\$6.0 million, which has not been recognised as a dividend payable on 31 March 2018. The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the effect of the dividend of HK\$6.0 million declared on 30 May 2018 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.18 and HK\$0.21 on the basis that 800,000,000 Shares were in issue; the dividend was declared on 30 May 2018 and the Share Offer and the Capitalisation Issue had been completed on 31 March 2018, assuming Offer Prices of HK\$0.45 per Share and HK\$0.55 per Share, respectively.

### LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately HK\$30.8 million of which approximately HK\$12.4 million is directly attributable to the issue of New Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated Listing expenses of approximately HK\$18.4 million, was or will be charged to profit or loss, of which an aggregate of approximately HK\$4.3 million was charged for the year ended 31 March 2017 and approximately HK\$5.3 million was incurred for the year ended 31 March 2018. This calculation is based on the mid-point of the indicative Offer Price range of HK\$0.50 per Offer Share and the assumption that 200,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or to be incurred. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operation for the year ending 31 March 2019 will be affected by the estimated expenses in relation to the Listing.

### DIVIDEND AND DISTRIBUTABLE RESERVES

Our Group did not declare any dividend for the year ended 31 March 2016. For the year ended 31 March 2017, our Group declared and paid dividends of HK\$19.8 million to the shareholders of Head Fame now comprising our Group. During the year ended 31 March 2017, the shareholders of Head Fame agreed to repay the dividends by way of set-off against their respective amount due to Head Fame. On 30 May 2018, our Group declared dividend of HK\$6.0 million, of which an amount of approximately HK\$2.4 million was settled by offsetting with amount due from a director. 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 results of operations and financial performance, profitability, business development, prospects, capital requirements, and economic outlook as well as subject to the Articles and any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they 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.

## FINANCIAL INFORMATION

### **MATERIAL ADVERSE CHANGE**

Save as disclosed in the paragraph headed “Listing Expenses” in this section, our Directors confirmed that since 31 March 2018 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS

Please refer to the section headed “Business — Business strategies” in this prospectus for our Group’s business objectives and strategies.

### USE OF PROCEEDS

Based on the Offer Price of HK\$0.50 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.45 per Offer Share to HK\$0.55 per Offer Share, the net proceeds from the Share Offer are estimated to be approximately HK\$69.2 million after deducting the related underwriting fees and estimated expenses in connection with the Share Offer. Our Directors intend to apply to such net proceeds as follows:

- approximately HK\$47.7 million, representing approximately 68.9% of the net proceeds, will be earmarked to take out surety bonds in favour of the potential customers to ensure our due performance and observance of the contracts we have secured or plan to secure.

During the Track Record Period, a majority of our tender invitations, with a total contract sum of over HK\$4,411.6 million, involved surety bond requirements. For such tender invitations, since we did not have sufficient financial resources to meet the surety bond requirement and/or did not have enough manpower capacity to meet the work requirement, we had either (i) declined the invitations or (ii) submitted a less competitive tender price by factoring a higher profit margin in costs estimation to maintain our presence in the market or (iii) negotiated with the relevant customer for a waiver of the surety bond requirement, given that we did not have sufficient financial resources to meet these surety bond requirements. During the Track Record Period, we had (i) declined tender invitations with a total contract sum of over HK\$415.0 million (approximately HK\$175.0 million, HK\$240.0 million and nil for the year ended 31 March 2016, 2017 and 2018, respectively), (ii) submitted tenders with a total contract sum of over HK\$3,224.3 million (approximately HK\$800.9 million, HK\$996.7 million and HK\$1,426.7 million for the year ended 31 March 2016, 2017 and 2018, respectively) with a less competitive tender price to maintain our presence in the market, and (iii) never successfully obtained a waiver of the surety bond requirement from any customer. During the Track Record Period, a majority of the superstructure building projects undertaken by us required surety bonds, the bond amounts required in those projects amounted to approximately HK\$76.8 million, representing 10% of the total contract sum of those contracts. We take out surety bonds either from insurance companies or banks.

For the surety bonds provided by insurance companies, during the Track Record Period, we were required to (i) procure personal guarantee provided by the Directors and (ii) provide security deposits equivalent to an amount ranging from 30% to 100% of the bond amount. Nevertheless, our credit limit granted by the insurance company has been fully utilised since November 2017. Upon our negotiation with insurance companies and based on their quotation and confirmation, we were required to provide them with security deposits for amount equivalent to the full amount of the surety bonds for our future projects. For the surety bond provided by the bank, during the Track Record Period, we were required to provide (i) personal guarantee of our executive Directors; (ii) several properties held by our executive Directors as collateral and/or (iii) security deposits to be deposited in the bank account. Upon

## FUTURE PLANS AND USE OF PROCEEDS

negotiation with the bank and based on its confirmation, we were required to provide them with security deposits for amount equivalent to the full amount of the surety bonds for our future projects in case such surety bond is not guaranteed by personal guarantees and/or collateral provided by the Directors.

During the Track Record Period, the handling and service charges incurred for the surety bonds provided by the insurance company and the bank amounted to approximately HK\$1.4 million and HK\$1.3 million respectively. Taking into account the abovementioned factors, our Directors consider that if we seek to expand our business and undertake more projects, we will have to finance our surety bond requirements by placing security deposits equivalent to full amount of the surety bond instead of providing personal guarantees and/or collateral provided by our executive Directors.

Although during the Track Record Period, we have secured certain projects without providing surety bonds, our Directors consider that it is of strategic importance to undertake projects involving surety bond requirement to lessen customer concentration in the future. As such, we have devoted and will continue to expend efforts in exploring and securing projects from new customers through participation of more competitive tendering from customers that we have no or less prior business relationship with. According to the Ipsos Report, it is not uncommon for companies (including listed companies) to be required by their customers to arrange surety bond as part of a condition to secure a tender for superstructure building works and RMAA works. It is anticipated that going forward, we will come across more tender opportunities that are in line with our strategy but which will involve customers that have no or less prior business relationship with us, and/or involving projects with substantial contract sum, in which surety bond arrangements are normally required.

In this connection, we plan to finance the surety bond requirements of the following projects which we have secured or plan to secure from the proceeds of the Share Offer:

Project	Particulars and location of proposed projects	Work segment	Actual/ estimated date of submission/ award of tender	Actual/ estimated date of surety bonds to be taken out	Approximate contract duration		Estimated contract sum HK\$	Estimated surety bond amount HK\$
					From	To		
<b>B</b> (also known as project CRW)	Redevelopment project at 48-51 Connaught Road West, Sheung Wan	Superstructure	Tender submitted in April 2018 and awarded in June 2018	September 2018	October 2018	May 2020	156,800,000	15,680,000
<b>D</b>	Redevelopment project at No. 142-154 Carpenter Road	Superstructure	Tender is expected to be submitted in August 2018	December 2018	January 2019	March 2020	320,393,000	32,039,300
Total:							<u>477,193,000</u>	<u>47,719,300</u>

## FUTURE PLANS AND USE OF PROCEEDS

Project B (also known as project CRW) has been awarded to us in June 2018. The surety bond requirement is one of the key tender conditions as set out in the tender document and the tender award document of project B. We have attempted to negotiate with the relevant customer of this project for a waiver on the surety bond payment should the Listing be successful but the relevant customer confirmed that it will not waive the relevant surety bond requirement which has been set out in the corresponding tender award document.

On the other hand, we plan to submit tender for project D in August 2018. Before our tender submission, the customer of project D has approached us and arranged a site visit in our work site in late June 2018 for their assessment on our site management capability. After such site visit, we received follow-up queries from the relevant architect and were in the course of negotiation and discussion with relevant parties. Based on the current negotiation process, our Directors are confident about our chance of success in securing this project, having considered our track record of our ability to deliver quality superstructure building services, our strong project management capability and our relationship with the relevant architect firm. If we do not secure project D, it is our strategy to tender for any alternative projects which may involve surety bond requirement, such as projects C, E, F, G and H as disclosed below, and utilise the unused net proceeds to finance the surety bond requirement. That said, there is no assurance that our Group will succeed in such tender as stated in the section headed “Risk Factors — Risk relating to our business — Our revenue relies on successful tenders of our project which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will cause new customers” in this prospectus. Our Directors consider that the chance of obtaining a waiver of surety bond requirement from the customer of project D is low because (i) such customer is a new customer that has no prior business relationship with our Group and (ii) the contract sum of project D is relatively large.

### *Tenders whose results were still pending*

As at the Latest Practicable Date, there was one tender with a total original contract sum of approximately HK\$212.8 million which the result was still pending (“**Pending Tender**”). To the best knowledge of our Directors, the result of the Pending Tender is expected to be released in around late 2018. The Pending Tender involves surety bond requirement in the amount of approximately HK\$21.3 million. If our Group wins this Pending Tender, we will be required to provide a further surety bond of approximately HK\$21.3 million which is expected to be financed by our internal resources.

## FUTURE PLANS AND USE OF PROCEEDS

*Other new projects for which we intend to tender*

In addition to project D, based on the information and confirmation in relation to the expected projects provided by architects and customers, the following table below sets forth the expected projects to be tendered by us and all of these projects are expected to involve surety bond requirements:

Project	Particulars and location of proposed projects	Work segment	Estimated date of submission of tender	Estimated date of surety bonds to be taken out	Approximate contract duration		Estimated contract sum <i>HK\$</i>	Estimated surety bond amount <i>HK\$</i>
					From	To		
C	Redevelopment project at 46-48 Lion Rock Road	Superstructure	Q3 2018	Q4 2018	December 2018	November 2019	90,000,000	9,000,000
E	Redevelopment project at 56-58 Wing Lok Street	Superstructure	Q3 2018	Q1 2019	Q2 2019	Q2 2020	75,000,000	7,500,000
F	Redevelopment project at 333 Hennessy Road	Superstructure	Q4 2018	Q2 2019	June 2019	July 2020	98,000,000	9,800,000
G	Proposed workshop development project at 37-53 Wing Lok Street	Superstructure	Q1 2019	Q2 2019	Q2 2019	Q2 2020	100,000,000	10,000,000
H	Proposed workshop development project at 36-38 Wing Lok Street	Superstructure	Q1 2019	Q2 2019	Q2 2019	Q2 2021	300,000,000	30,000,000
Total:							<u>663,000,000</u>	<u>66,300,000</u>

Our Directors are confident about the outcome of tenders for projects C, E, F, G and H taking into account (i) our proven track record in delivering quality superstructure building works relevant customers and (ii) our strong management capability. In light of the seven abovementioned projects we have secured or plan to secure, our Directors take the view that our Group has a genuine need to strengthen our cash position in order to enable us to bid for these projects (all of which are expected to involve surety bond requirements), and enhance our tender success rate.

## FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$8.3 million, representing approximately 12.0% of the net proceeds, will be used to finance our upfront costs and working capital requirements at the early stage of one superstructure building project awarded to us, including:
  - insurance expenses
  - costs of major construction materials
  - subcontracting fees
  - staff costs
  - machinery rental
  - site utilities
  - site office cost
  - other site set-up expenses to meet the net cash outflow at the early stage of our projects

While our customer may pay a deposit to us at or before the commencement of our works, such deposit is not common and is subject to our negotiation with the relevant customers. During the Track Record Period and up to the Latest Practicable Date, we have only received deposit from one customer for one single project during the year ended 31 March 2016. In particular, we will not receive any deposit from our customer for project B (also known as project CRW). Our customers generally make the first payment around two months after the commencement of the projects and we would therefore incur net cash outflows at an early stage of carrying out our works. With reference to our management's best estimation based on our historical projects of similar scale and quotations obtained from relevant suppliers, subcontractors and other service providers, it is estimated that the upfront cost and working capital requirement would range from approximately 4% to 8% of the total contract sum of our projects. In anticipation of project B (also known as project CRW) with a contract sum of approximately HK\$156.8 million that has been awarded to us and is tentatively scheduled to commence in October 2018 and project D with a expected contract sum of approximately HK\$320.0 million which we plan to submit tender for in August 2018, we estimate that our upfront costs and working capital requirements at the early stage of project B and project D will amount to approximately HK\$7.9 million and HK\$16.0 million, respectively, which are determined with reference to our management's estimation based on our previous projects of similar scale and quotations obtained from relevant suppliers, subcontractors and other service providers. We expect that the net cash outflow at the early stage of project D will be met by our internal resources, while the net cash outflow at the early stage of project B can be met by the proceeds from the Share Offer as described above and our liquidity position will therefore be strengthened;

- approximately HK\$4.2 million, representing approximately 6.1% of the net proceeds, will be used for expansion of our workforce both at office level and worksite level. During the period between 1 April 2018 and the Latest Practicable Date, we have been awarded four additional contracts with an aggregate contract sum of approximately HK\$281.5 million (including (i) an A&A works contract with a contract sum of approximately HK\$118.4 million which has commenced in April 2018, (ii) an A&A works contract with a contract sum of approximately HK\$5.7 million which has commenced in June 2018, (iii) a superstructure building works contract with a contract sum of approximately HK\$156.8 million which is scheduled to commence in October 2018 and (iv) an A&A works contract with a contract sum of approximately HK\$0.6 million which has commenced in July 2018).



## FUTURE PLANS AND USE OF PROCEEDS

In addition, as mentioned above, we have secured or plan to secure the following projects in 2018 and 2019:

Project	Particulars and location of proposed projects	Work segment	Actual/ estimated date of submission/award of tender	Approximate contract duration		Estimated contract sum <i>HK\$</i>
				From	To	
<b>B</b> (also known as project CRW)	Redevelopment project at 48–51 Connaught Road West, Sheung Wan	Superstructure	Tender awarded in June 2018	October 2018	May 2020	156,800,000
<b>C</b>	Redevelopment project at 46–48 Lion Rock Road	Superstructure	Q3 2018	December 2018	November 2019	90,000,000
<b>D</b>	Redevelopment project at No. 142–154 Carpenter Road	Superstructure	August 2018	January 2019	March 2020	320,393,000
<b>E</b>	Redevelopment project at 56–58 Wing Lok Street	Superstructure	Q3 2018	Q2 2019	Q2 2020	75,000,000
<b>F</b>	Redevelopment project at 333 Hennessy Road	Superstructure	Q4 2018	June 2019	July 2020	98,000,000
<b>G</b>	Proposed workshop development project at 37–53 Wing Lok Street	Superstructure	Q1 2019	Q2 2019	Q2 2020	100,000,000
<b>H</b>	Proposed workshop development project at 36–38 Wing Lok Street	Superstructure	Q1 2019	Q2 2019	Q2 2021	300,000,000
Total:						<u>1,140,193,000</u>

As at the Latest Practicable Date, our project management team consisted of one general site supervisor, one building services manager, three project managers, one assistant project manager, three site foremen, one assistant site foremen, one quantity surveyor, one assistant quantity surveyor, two site safety staff and one contract manager. Our Directors consider that our existing project management staff are not sufficient to cope with our operational need for our future projects as described above. Furthermore, to tender and compete for new projects, availability of manpower resources and the size of our project management team are one of the key assessment criteria. To enhance the tender success rate for our future tenders, our Directors consider that it is necessary to expand our workforce (particularly our project management staff) to enhance our competitiveness. Taking into account (i) one of our projects on hand which is expected to be completed in August 2018 and thus releasing certain manpower for our projects; (ii) the size of the relevant projects and (iii) the complexity and workforce requirement of the relevant projects, we intend to increase the number of our staff by six for the manpower need of the contracts we plan to secure. Although three of our major projects on hand (i.e. projects BFR, FLTR and KTR) are scheduled to be completed by December 2018, and certain manpower may be released for our prospective projects, our Directors consider that our existing manpower resources are by no means sufficient to cope with our prospective projects and we have a genuine need to expand our project management

## FUTURE PLANS AND USE OF PROCEEDS

staff given that (a) as mentioned above, we have declined certain tender invitations and submitted certain tenders with a less competitive tender price to maintain our presence in the market due to insufficient manpower capacity as we were occupied with various projects at that time; (b) based on the best estimation of our management, our current workforce has been fully deployed and it is expected that the 22 staff currently allocated to projects BFR, FLTR and KTR will be released (subject to their work progress) and fully deployed to fulfill part of the manpower need for projects JFR, B, C, D and E which are expected to require around 42 staff in total. However, there is no assurance that there will not be any delay in projects BFR, FLTR and KTR or we will not be required to perform additional works for these projects. Our Directors therefore believe it is important to manage the risk of staff shortage in the event that completion of projects BFR, FLTR and KTR are delayed; (c) the scale of the prospective projects are considerably larger than our contracts on hand (for instance, the contract sum of project D exceeds HK\$320 million) and hence necessitates expansion of our workforce; and (d) although we engage subcontractors to carry out site works, our Directors consider that it is imperative for our Group to recruit sufficient project supervision staff to supervise the quality of site works undertaken by subcontractors and avoid project delay due to overlapping project schedule.

The following table sets out a breakdown on the number of staff and their positions to be recruited for the year ending 31 March 2019 involving the use of proceeds from the Share Offer and the breakdown of the net proceeds to be applied for such purpose:

<b>Position</b>	<b>Estimated monthly salary (per headcount)</b>	<b>Total number of staff to be employed for the year ending 31 March 2019</b>	<b>Net proceeds from the Share Offer to be applied</b>
Project manager	HK\$70,000	1	HK\$1.12 million
Site foreman	HK\$60,000	1	HK\$0.96 million
Safety supervisor	HK\$40,000	1	HK\$0.64 million
Site worker	HK\$35,000	2	HK\$1.12 million
Quantity surveyor	HK\$25,000	1	HK\$0.4 million
	Total:	<u>6</u>	<u>HK\$4.24 million</u>

We plan to submit tender for project D in August 2018. Before our tender submission, the customer of project D has approached us and arranged a site visit in our work site in late June 2018 for their assessment on our site management capability. After such site visit, we received follow-up queries from the relevant architect and were in the course of negotiation and discussion with relevant parties. Based on the current negotiation process, our Directors are confident about our chance of success in securing this project, having considered our track record of our ability to deliver quality superstructure building services, our strong project management capability and our relationship with the relevant architect firm. That said, if we do not secure the abovementioned projects, it is our strategy to tender for any alternative projects which may in need of manpower and utilise the unused net proceeds to

## FUTURE PLANS AND USE OF PROCEEDS

finance our expansion of manpower. That said, there is no assurance that our Group will succeed in such tender as stated in the section headed “Risk Factors — Risk relating to our business — Our revenue relies on successful tenders of our project which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will cause new customers” in this prospectus.

The amount of net proceeds to be allocated to the recruitment of additional staff is approximately HK\$4.2 million. In view of the above, our labour cost is expected to be increased by approximately HK\$1.0 million and HK\$3.2 million for the year ended 31 March 2019 and 2020, respectively.

- approximately HK\$9.0 million or approximately 13.0% of the net proceeds will be used for the repayment of bank borrowings to reduce our finance cost. The specific bank borrowings to be repaid by the net proceeds include three tranches of bank loans in the sum of HK\$2,800,000, HK\$6,320,000 and HK\$5,000,000 granted by one of our principal bankers. Finance costs increased during the Track Record Period and amounted to approximately HK\$191,000, HK\$206,000 and HK\$247,000 for the year ended 2016, 2017 and 2018, respectively. Our total outstanding bank loan in the amount of HK\$11.9 million as at 30 June 2018 was drawn for purpose of financing our Group’s working capital, bearing interest at 2.5% below the Hong Kong dollar prime rate per annum and an effective interest rate of 2.5 per annum and is repayable on a monthly basis over the term ranging from one to ten years; and

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the mid-point of the indicative Offer Price range. If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$10.0 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

If any of the Adjustment Options is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$15.0 million, assuming an Offer Price of HK\$0.5 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of any of the Adjustment Options will increase by approximately HK\$1.5 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of any of the Adjustment Options will decrease by approximately HK\$1.5 million. In the event any of the Adjustment Options is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes due to any factors, and to the extent permitted by applicable laws and regulations, we will carefully evaluate the situations and it is our present intention to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

## FUTURE PLANS AND USE OF PROCEEDS

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the Listing Rules.

### REASONS FOR THE LISTING

Our Directors believe that the Listing will greatly benefit our Group for the following reasons:

- **We need a listing status to enhance our competitiveness to compete with our listed competitors.**

Our Directors consider achieving a listing status to be a crucial and critical way to compete with our Group's major competitors in the building construction industry. Head Fame, our key operating subsidiary, has been registered as a general building contractor with the Buildings Department since 1999 and principally undertaken superstructure building projects in Hong Kong. According to the Ipsos Report, among our competitors which possess the qualifications and experience to compete for superstructure building and RMAA works contracts, over 10 of them have achieved a listing status. Our Directors believe that a public listing status, transparent financial disclosures and regulatory supervision are definite competitive advantage to which our customers would give due weight in a competitive tendering process nowadays. Our Directors consider that a lack of a listing status could be a hindrance to our Group's success to tender for superstructure building and RMAA projects as main contractor. Therefore, our Directors believe that it is of critical and strategic importance to our Group to achieve a listing status in order to enhance our competitiveness to compete with the other listed construction contractors. Our Directors consider the Listing would bring about the above intangible benefit which could justify the costs, the risks and uncertainties involved in a listing application.

- **Our Group has genuine funding needs for expansion of our business.**

It is necessary for us to raise funds through the Share Offer for the following reasons:

- (i) *Business opportunities and growth drivers in view of the industry outlook:* Our Group's business is expected to expand steadily taking into account our contracts on hand and the contracts we plan to submit for the year ending 31 March 2018 coupled with the continuous growth in the superstructure building industry and RMAA works industry. According to the Ipsos Report, it is expected that the revenue of the building construction works in Hong Kong will grow at a CAGR of approximately 3.3%, from about HK\$136.1 billion in 2018 to about HK\$154.8 billion in 2022. The estimated revenue of the RMAA works in Hong Kong is also expected to grow from approximately HK\$68.2 billion in 2018 to approximately HK\$69.7 billion in 2022, at a CAGR of around 0.5%. In particular, according to the Ipsos Report, the estimated revenue of building construction works in the private sector is expected to increase by over HK\$4.9 billion, from HK\$89.8 billion in 2018 to HK\$94.7 billion in 2022, whereas the estimated revenue of RMAA works is expected to increase by over HK\$1.3 billion, from HK\$46.7 billion to HK\$48.0 billion during the same period. Such growth is supported by the constantly high demand of residential units in Hong Kong and the Hong Kong Government's initiative to increase housing supply in the coming years. It

## FUTURE PLANS AND USE OF PROCEEDS

is estimated that there will be an increase of approximately 87,000 residential units in the coming three to four years in the private sector of the construction industry. In addition, the development of railway network (such as Shatin-Central Line) and the Government's policy of urban renewal in Hong Kong are expected to stimulate the development of private residential buildings and other associated buildings such as shopping malls and hence further drive up local construction activities as well as the demand for building construction works and RMAA works. As such, our Directors believe that these growth drivers will create more opportunities for our superstructure building and RMAA works businesses in the private sector. Please refer to the section headed "Industry Overview — Market drivers and opportunities" in this prospectus for further details. In view of the above, although the market size of building construction works and RMAA works in Hong Kong is expected to grow at a CAGR of 3.3% and 0.5%, respectively, from 2018 to 2022 and our Group only held the market share of approximately 0.3% in terms of the industry revenue in the superstructure building works industry in 2017 and 0.05% in terms of the industry revenue in the RMAA works industry in 2016, our Directors envisage that there would be considerable business opportunities and growth drivers which justify our Group's expansion plan to compete for more superstructure building and RMAA works contracts. These business opportunities and drivers include the Government's policy to increase land supply and housing supply, increasing number of residential and commercial development projects and the Government's policy for urban renewal, which have collectively contributed to the growth in the number of superstructure building and RMAA works contracts in Hong Kong, and the corresponding growth of the superstructure building industry and the RMAA works industry in the near future. Please refer to the sections headed "Industry overview — Competitive landscape of the Superstructure building works industry in Hong Kong" and "Industry Overview — Competitive landscape of the RMAA works industry in Hong Kong" in this prospectus for further details.

- (ii) *We need funding to finance our contracts on hand and need additional capital required to grasp the business opportunities and consolidate our Group's market position:* During the period between 1 April 2018 and the Latest Practicable Date, we have received invitations for tender for four projects, among which one tender was submitted in April 2018 and awarded to us in June 2018, one tender was declined by us and the remaining two tenders are being prepared for submission. As at the Latest Practicable Date, there was one tender whose result is still pending, with an expected notional contract sum of approximately HK\$212.8 million. Whilst our Directors are confident about the outcome of this tender taking into account (i) our proven track record in delivering quality superstructure building and RMAA works; (ii) the current negotiation process between our Directors and the relevant customers and (iii) our strong management capability, there is no assurance that our Group will succeed in these tenders as stated in the section headed "Risk Factors — Risk relating to our business — Our revenue relies on successful tenders of our projects which are not recurrent in nature, and there is no guarantee that our customer will provide us with the new business or that we will secure new customers" of this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

Furthermore, during the period between 1 April 2018 and the Latest Practicable Date, we have been awarded four additional contracts with a total contract sum of approximately HK\$281.5 million (including (i) an A&A works contract with a contract sum of approximately HK\$118.4 million which has commenced in April 2018, (ii) an A&A works contract with a contract sum of approximately HK\$5.7 million which has commenced in June 2018, (iii) a superstructure building works contract with a contract sum of approximately HK\$156.8 million which is scheduled to commence in October 2018 and (iv) an A&A works contract with a contract sum of approximately HK\$0.6 million which has commenced in July 2018). This demonstrates our Group's growing momentum to expand our business to capture the emerging business opportunities since the second quarter of 2018. As at the Latest Practicable Date, we had seven contracts on hand with a total awarded contract sum of approximately HK\$742.0 million and this shows our drive for business expansion. Our Directors consider that it is necessary and expedient to raise funds to finance our contracts on hand of such sizeable sum and our future projects as described above for purpose of our business expansion.

Our Directors consider that given our well-established reputation in the superstructure building industry and RMAA works industry and our stable business relationship with our customers, our Group has the ability to grasp business opportunities driven by the continuous growth in these industries and further increase our market share, which hinges on the availability of our then available operational resources including financial resources and manpower resources to support our future business growth. With the continuous growth in the superstructure building and RMAA works industry, fuelled by the growth drivers as set out in paragraph (i) above, our Group will continue to actively submit tenders for superstructure building works and RMAA works projects and compete for contracts of larger sum if that is commercially viable.

- (iii) *We have capital input and upfront costs and therefore incur net cash outflow at the early stage of the project:* We have to pay the start-up costs such as insurance expenses, costs of major construction materials, subcontracting fees, staff costs, machinery rental, site utilities and other site set-up costs. Prior to receiving payment from our customers, the cash flow requirement at the initial stage of our projects could constraint the number of projects that we could take under our then available resources. Our customers make the first payment around two months after the commencement of the projects and we would therefore incur net cash stage outflows at an early stage of carrying out our works. Furthermore, the progress payments from our customer will not always be paid to us on time and in full and we may experience a mismatch of our cash flow when there is any timing difference between making payments to our suppliers and our subcontractors and receiving payments from our customers.
- (iv) *Our banking facilities have been substantially utilised and we do not have sufficient surplus cash for our business expansion:* Amongst the banking facilities of HK\$44.3 million as at 30 June 2018, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, HK\$25.3 million have been utilised. As at 30 June 2018, our cash and cash equivalents amounted to approximately HK\$24.0 million. Referring to our direct costs for the year ended 31 March 2018, we required an average monthly direct costs of approximately HK\$33.7

## FUTURE PLANS AND USE OF PROCEEDS

million, including direct labour costs, material costs, subcontracting fees and machinery and equipment rental expenses. Our Group's average monthly cash outflow required for our daily operations is approximately HK\$34.6 million. As such, our Directors consider that the current financial resources available to our Group is only sufficient for our Group's daily operations for at least the next 12 months after the Listing, and our Company will need to raise fund through the Share Offer to facilitate implementation of our future plans as set out in the section headed "Business — Business strategies" in this prospectus and this section. In addition, although Head Fame had declared dividends of HK\$19.8 million for the year ended 31 March 2017, the said dividend was used to settle the amounts due from the directors of Head Fame. Our Group also declared dividend of HK\$6.0 million, of which an amount of approximately HK\$2.4 million was settled by offsetting with amount due from a director and the remaining HK\$3.6 million has been fully settled. Since then, Head Fame has not declared any dividend to its shareholders due to our Group's genuine funding need for business expansion.

Our Directors consider that it is necessary to keep surplus cash in our Group for any unexpected inflation of costs due to unstable labour supply in construction industry. As such, in view of our significant cash outflow exposure including payment to suppliers, subcontractors and labour, our Directors believe that our Group needs to generate funds to finance its expansion plan while maintaining sufficient working capital for our Group's operations.

- (v) *We consider it would be difficult for our Group to obtain bank borrowings without personal guarantees and/or other collateral provided by our Controlling Shareholders:* Given that our Group has no fixed asset available for collateral, our Directors considered that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without personal guarantee or other form of collateral provided by our Controlling Shareholders. This is supported by the fact that our lending banks have indicated their intention to release the guarantees provided by our Controlling Shareholders, subject to, among other things, our Company's being successfully listed on the Stock Exchange. In spite of our reliance on funding from bank borrowings in the past, building contractors like our Group without a listing status usually have difficulty in obtaining sufficient bank borrowings at a more commercially favourable term without personal guarantees or other collateral to be provided by our Controlling Shareholders for the bank borrowings. Furthermore, whilst our operation had placed more reliance on funding from bank borrowings during the Track Record Period, our Group's financial performance and liquidity may be negatively affected if market uncertainty suddenly occurred, such as increase in interest rate in the United States and any unexpected deterioration in the prevailing market condition in the superstructure building industry and RMAA works industry resulting in the imposition of further stringent requirements on debt financing. As such, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing in the long run.

## FUTURE PLANS AND USE OF PROCEEDS

- **Other commercial rationale for the Listing.**
  - Our Directors believe that a listing status will enhance our credibility with our subcontractors, suppliers and customers and thus, enhance our level of competitiveness in competing for and carrying out our projects. With such status, our Group can be differentiated from other competitors during the tendering process, enhancing our success rate in competing for sizable and profitable projects.
  - The Listing, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness. Following the Listing, we will be able to use secondary fund raising after Listing for our future growth and expansion plans, and when necessary, through the issuance of equity and/or debt securities. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholders' return. While we will continue to obtain certain amount of banking facilities after Listing alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure.
  - By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers for construction materials, and with other business partners, if any. Hence, our Group will then be able to maintain a lower level of gearing ratio, which benefits our Groups and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.
  - Our Directors also believe that the Listing will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.
  - Although the amount of expenses for the Listing represents a certain proportion of the gross proceeds from the Listing, such expenses are non-recurring in nature for which we would not have to repay following completion of the Listing.



# UNDERWRITING

## THE UNDERWRITERS

### Joint Bookrunners

Pacific Foundation Securities Limited  
Sincere Securities Limited

### Joint Lead Managers

Pacific Foundation Securities Limited  
Sincere Securities Limited  
Alpha Financial Group Limited  
ChaoShang Securities Limited

### Co-Manager

Frontpage Capital Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Public Offer

#### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been entered into and becoming unconditional and not having been terminated in accordance with its terms.

### Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the Underwriters) shall have the absolute right which is exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriters), upon giving notice in writing to our Company, to terminate the arrangements set out in the Public Offer Underwriting Agreement with immediate effect if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) it has come to the notice of the Joint Bookrunners that:
  - (i) any statement contained in this prospectus or other documents issued or used by or on behalf of our Company or information provided to the Joint Bookrunners in connection with the Share Offer (the “**Relevant Documents**”), considered by the Joint Bookrunners in their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, inaccurate, incorrect or misleading in any material respect;
  - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Bookrunners in their absolute opinion to be material in the context of the Share Offer;

## UNDERWRITING

- (iii) any breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement and the Placing Underwriting Agreement considered by the Joint Bookrunners in their absolute opinion to be material in the context of the Share Offer (other than upon any of the Public Offer Underwriters);
  - (iv) either (1) there has been a breach of any of the warranties or provisions of the Public Offer Underwriting Agreement by any of our Company, our executive Directors or our Controlling Shareholders (collectively, the “**Warrantors**”) or (2) any matter or event showing or rendering any of the warranties contained in the Public Offer Underwriting Agreement, as applicable, in the absolute opinion of the Joint Bookrunners, to be untrue, incorrect or misleading in any material respect when given or repeated;
  - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Public Offer Underwriting Agreement; or
  - (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any warranties, in the absolute opinion of the Joint Bookrunners, untrue, incorrect, inaccurate or misleading in any respect;
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong;
  - (ii) any change or development involving a change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar);
  - (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands or BVI (the “**Relevant Jurisdictions**”);
  - (iv) the imposition of economic sanctions on any of the Relevant Jurisdictions;

## UNDERWRITING

- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;
- (vi) any litigation or claim of importance instigated against any member of our Group or any Director;
- (vii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (x) any material contravention by any member of our Group or any Director of the Listing Rules or any applicable laws;
- (xi) a prohibition on our Company for whatever reason from allotting the Offer Shares pursuant to the terms of the Share Offer;
- (xii) material non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws by any of our Directors or the Warrantors;
- (xiii) the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the Offer Shares);
- (xiv) any material change in the business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;
- (xv) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group;
- (xvi) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdiction;
- (xvii) any material change or development in the conditions of local, national or international equity securities or other financial markets; or

## UNDERWRITING

(xviii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or by any of the other exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters):

- (i) is or will be materially adverse to or may prejudicially affect the business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group;
- (ii) has or will have a material adverse effect on the success of the Share Offer or the level of interest under the Placing;
- (iii) makes or may make it inadvisable, inexpedient or impracticable to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (iv) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including undertaking) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Public Offer Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

## UNDERWRITING

### **Undertakings to the Stock Exchange under the Listing Rules**

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer (including the exercise of any of the Adjustment Options), the Capitalisation Issue and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

#### *Undertaking by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer and the Stock Borrowing Agreement, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) on a collective basis.

## UNDERWRITING

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

### **Undertakings to the Public Offer Underwriters**

#### *Undertakings by our Company*

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Joint Bookrunners, the Sponsor, the Joint Lead Managers, the Co-Manager and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to any of the Adjustment Options), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, the Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

## UNDERWRITING

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

### *Undertaking by our Controlling Shareholders*

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, our Company and the Public Offer Underwriters that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and its/his associates and companies controlled by it/he and any nominee or trustee holding in trust for it/him shall not, without the prior written consent of the Joint Bookrunners, unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it/he is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of the Controlling Shareholders has jointly and severally undertaken to the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, our Company and the Public Offer Underwriters that it/he shall not, and shall procure that the relevant registered holder(s) and its/his associates or companies controlled by it/him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Joint Bookrunners unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the Listing Rules, at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it or him or any of it/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it or him or it/him if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be, or be regarded as controlling shareholders (as defined in the Listing Rules) on a collective basis.

## UNDERWRITING

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of the Joint Bookrunners, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, he or it will:

- (i) when it/he pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

### **The Placing**

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses — Public Offer — Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by it/him in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses — Public Offer — Public Offer Underwriting Agreement” in this section.



## UNDERWRITING

### **Commissions and expenses**

The Underwriters will receive a gross underwriting commission at the rate of 7.0% of the aggregate Offer Price payable for the Offer Shares (including shares to be issued pursuant to any of the Adjustment Options), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$30.8 million in aggregate (based on an Offer Price of HK\$0.50 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.45 per Offer Share and HK\$0.55 per Offer Share and on the assumption that any of the Adjustment Options is not exercised) and shall be borne by our Company.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Underwriting Arrangements and Expenses — Commissions and expenses” above.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

### **INDEPENDENCE OF THE SPONSOR**

Dakin Capital Limited, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **RESTRICTIONS ON THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the U.S..

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (a) the Public Offer of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” below; and
- (b) the Placing of an aggregate of 180,000,000 Placing Shares (subject to reallocation as mentioned below and any of the Adjustment Options) which will conditionally be placed with selected professional, institutional and other investors under the Placing.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer — Reallocation” below.

### THE PUBLIC OFFER

#### Number of Shares Initially Offered

We are initially offering 20,000,000 Public Offer Shares at the Offer Price, representing 10% of the Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Public Offer Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer”.

#### Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### **Reallocation**

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deems appropriate;
  - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 40,000,000, representing 20% of the Offer Shares initially available under the Share Offer;

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 60,000,000, representing 30% of the Offer Shares initially available under the Share Offer;
  - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 80,000,000, representing 40% of the Offer Shares initially available under the Share Offer; and
  - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available under the Public Offer, then 80,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 100,000,000, representing 50% of the Offer Shares initially available under the Share Offer.
- (b) Where the Placing Shares are not fully subscribed:
- (i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and
  - (ii) if the Public Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 20,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 40,000,000, representing 20% of the Offer Shares initially available under the Share Offer.

In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 40,000,000 Offer Shares) and the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$0.45 per Offer Share).

For reallocation of Offer Shares from the Placing to the Public Offer, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be reallocated to Pool A and Pool B in the Public Offer in such manner as the Joint Bookrunners deem appropriate.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

In addition, the Joint Bookrunners may in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

### **THE PLACING**

#### **Number of Shares Initially Offered**

Subject to the reallocation as described above, the number of Shares to be initially offered under the Placing will be 180,000,000 Placing Shares, representing 90% of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

#### **Allocation**

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### PRICING AND ALLOCATION

#### Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Monday, 13 August 2018 and in any event on or before Tuesday, 14 August 2018, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### Offer Price Range

The Offer Price will be not more than HK\$0.55 per Share and is expected to be not less than HK\$0.45 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

#### Price Payable on Application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.55 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$5,555.43 for each board lot of 10,000 Shares. If the Offer Price is less than HK\$0.55, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 14 August 2018, the Share Offer will not proceed and will lapse.

#### Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative Offer Price range and/or the number of Offer Shares below those 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 last day for lodging applications under the Public Offer, cause to be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.headfame.com.hk](http://www.headfame.com.hk)) notices of the

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

reduction. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer 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.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

### **Announcement of Offer Price and Basis of Allocations**

The final Offer Price, the level of indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares are expected to be announced on Tuesday, 21 August 2018 to be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.headfame.com.hk](http://www.headfame.com.hk)).

### **ADJUSTMENT OPTIONS**

In connection with the Share Offer, our Company intends to grant the Adjustment Options to the Joint Bookrunners (for themselves and on behalf of the Underwriters) under the Underwriting Agreements.

#### **Offer Size Adjustment Option**

If the final Offer Price as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) is less than HK\$0.50 per Share, such that the size of the Share Offer is less than HK\$100 million, the Joint Bookrunners (for themselves or on behalf of the Underwriters) may exercise the Offer Size Adjustment Option to cover over-allocations under the Share Offer. The Offer Size Adjustment Option can only be exercised prior to Listing, otherwise it will lapse. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Placing Shares, representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be issued at the Offer Price.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.headfame.com.hk](http://www.headfame.com.hk).

The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to Securities and Futures (Price Stabilisation Rules (Chapter 571W of the Laws of Hong Kong)).

If the Offer Size Adjustment Option is exercised in full, the additional 30,000,000 Shares and the 200,000,000 Shares initially offered in the Share Offer will represent approximately 3.6% and 24.1% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Offer Size Adjustment Option. The additional net proceeds received from the offer of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus.

### Over-allotment Option

If the final Offer Price as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) is HK\$0.50 per Share or more, such that the size of the Share Offer is not less than HK\$100 million, the Joint Bookrunners (for themselves or on behalf of the Placing Underwriters) may exercise the Over-allotment Option, which will be exercisable at any time from the date of this prospectus to the 30th day from the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be issued at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 30,000,000 Shares and the 200,000,000 Shares initially offered in the Share Offer will represent approximately 3.6% and 24.1% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option. The additional net proceeds received from the offer of the additional Shares allotted and issued upon exercise of the Over-allotment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the offer price.

If the final Offer Price is HK\$0.50 or above, the size of the Share Offer will not be less than HK\$100 million. In such event, in connection with the Share Offer, Pacific Foundation Securities Limited, as stabilising manager or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the



## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over- allotment Option, namely 30,000,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. In the event that the Stabilising Manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

### **STOCK BORROWING AGREEMENT**

The Stabilising Manager, as stabilising manager or its authorised agents may borrow up to 30,000,000 Shares from Shiny Golden, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with.

### **UNDERWRITING**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be issued pursuant to the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme) (subject only to allotment) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

**If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Tuesday, 14 August 2018, the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and us at [www.headfame.com.hk](http://www.headfame.com.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the subsection headed “How to Apply for the Public Offer Shares — 13. Dispatch/Collection of share certificates and refund monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 22 August 2018, provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** 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 Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager 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:

- (i) are 18 years of age or older;
- (ii) have a Hong Kong address;
- (iii) are outside the US and not a US person (within the meaning of Regulation S); and
- (iv) 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, the Joint Bookrunners 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 for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- (i) an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of the Company and/or any of its subsidiaries;
- (iii) a close associate (as defined in the Listing Rules) of any of the above;
- (iv) a core connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Share Offer; and
- (v) have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 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 between 9:00 a.m. on Tuesday, 7 August 2018 until 12:00 noon, Friday, 10 August 2018 from:

(i) *any of the following offices of the Public Offer Underwriters:*

Pacific Foundation Securities Limited	11/F New World Tower II 16–18 Queen's Road Central, Hong Kong
Sincere Securities Limited	9/F Cosco Tower, 183 Queen's Road Central Sheung Wan, Hong Kong
Alpha Financial Group Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Central, Hong Kong
ChaoShang Securities Limited	Rooms 4001–4002, China Resources Building 26 Harbour Road, Wanchai, Hong Kong
Frontpage Capital Limited	26/F, Siu On Centre, 188 Lockhart Road Wanchai, Hong Kong

(ii) *the following office of the Sponsor:*

Dakin Capital Limited	Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
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(iii) *any of the following outlets of the receiving bank:*

#### **Bank of Communications Co., Ltd. Hong Kong Branch**

<b>District</b>	<b>Outlet Name</b>	<b>Address</b>
Hong Kong Island	Business Department	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon	Tsim Sha Tsui Sub-Branch	Shop Nos. 1–3 on G/F., CFC Tower, 22–28 Mody Road, Tsim Sha Tsui
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2, Metro Town, Tiu Keng Leng

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Tuesday, 7 August 2018 until 12:00 noon, Friday, 10 August 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Golden Ponder Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the outlets of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., — Tuesday, 7 August 2018
- 9:00 a.m. to 5:00 p.m., — Wednesday, 8 August 2018
- 9:00 a.m. to 5:00 p.m., — Thursday, 9 August 2018
- 9:00 a.m. to 12:00 noon, — Friday, 10 August 2018

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 10 August 2018, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Applications Lists" below.

#### 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:

- (a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or their agents or nominees), as agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager and the Underwriters, nor any of their respective officers or advisors 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the US (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the 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 fulfilled the criteria mentioned in the paragraph headed "Personal Collection" of this section to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that
  - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

## 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 +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

### Hong Kong Securities Clearing Company Limited

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.



## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners 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:

- (a) 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;
- (b) HKSCC Nominees will do the following things on your behalf:
  - (i) 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;
  - (ii) agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - (iii) 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;
  - (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (v) (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;
  - (vi) confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - (vii) authorise the Company to place HKSCC Nominees' name on the 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;
  - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (x) agree that none of the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);
- (xi) agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters and/or their respective advisors and agents;
- (xii) 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;
- (xiii) 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 the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the 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;
- (xiv) 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;
- (xv) 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;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(xvii) 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 the Company or any other person in respect of the things mentioned below:

- (i) 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;
- (ii) 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
- (iii) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 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:

- 9:00 a.m. to 8:30 p.m., — Tuesday, 7 August 2018
- 8:00 a.m. to 8:30 p.m., — Wednesday, 8 August 2018
- 8:00 a.m. to 8:30 p.m., — Thursday, 9 August 2018
- 8:00 a.m. to 12:00 noon, — Friday, 10 August 2018

*Note:*

The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 7 August 2018 until 12:00 noon on Friday, 10 August 2018 (24 hours daily, except on Friday, 10 August 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 10 August 2018, the last application day or such later time as described in “9. Effect of Bad Weather on the Opening of the Application Lists” below.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the 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 (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 the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisors 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. The Company, the Directors, the Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 10 August 2018.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 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:

- (i) an account number; or
- (ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or
- (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form 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.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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).

Please see “Structure and Conditions of the Share Offer — Pricing and allocation” for further details regarding the Offer Price.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 10 August 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 Friday, 10 August 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 “Expected Timetable”, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

The 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 Tuesday, 21 August 2018 on the Company’s website at [www.headfame.com.hk](http://www.headfame.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on the Company’s website at [www.headfame.com.hk](http://www.headfame.com.hk) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, 21 August 2018;
- (ii) from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 21 August 2018 to 12:00 midnight on Monday, 27 August 2018;
- (iii) by telephone enquiry line by calling +852 3691-8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 21 August 2018 to Friday, 24 August 2018; and
- (iv) in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 21 August 2018 to Thursday, 23 August 2018 at all the receiving bank’s designated outlets.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the 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 “Structure and Conditions of the Share Offer”.

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 HONG KONG PUBLIC OFFER SHARES**

You should note the following situations in which the Public Offer Shares will not be allotted to you:

#### **(a) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

#### **(b) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, 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.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

**(c) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- (v) the Underwriting Agreements do not become unconditional or are terminated;
- (vi) the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- (vii) 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 finally determined is less than the maximum offer price of HK\$0.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "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 or before Tuesday, 21 August 2018.



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### 13. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (i) 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
- (ii) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, 21 August 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 order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 22 August 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### ***(i) If you apply using a WHITE Application Form***

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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 21 August 2018 or such other date as notified by us in the newspapers.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 authorized 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 dispatched 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 or before Tuesday, 21 August 2018, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 21 August 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 Tuesday, 21 August 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant).*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 21 August 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.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### *(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.

#### Deposit of Share Certificates into CCASS and Refund of Application Monies

- (i) 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 Tuesday, 21 August 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- (ii) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Tuesday, 21 August 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 21 August 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) 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.
- (iv) 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 Tuesday, 21 August 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (v) 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 Tuesday, 21 August 2018.

### **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 advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

*The following is the text of a report, prepared for the purposes of inclusion in this prospectus, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*



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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION  
TO THE DIRECTORS OF GOLDEN PONDER HOLDINGS LIMITED  
AND DAKIN CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Golden Ponder Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-37, which comprises the consolidated statements of financial position as at 31 March 2016, 31 March 2017, 31 March 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (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-3 to I-37 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 7 August 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 (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give

a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2018, the Group's financial position as at 31 March 2016, 31 March 2017 and 31 March 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### **Dividends**

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company and contains information about the dividends paid by Head Fame Company Limited, a subsidiary of the Company, to its then shareholders during 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.

#### **BDO Limited**

*Certified Public Accountants*

#### **Tang Tak Wah**

Practising Certificate Number P06262

Hong Kong

7 August 2018

**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 BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

**Consolidated Statements of Comprehensive Income**

	<i>Notes</i>	<b>Year ended 31 March</b>		
		<b>2016</b>	<b>2017</b>	<b>2018</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	323,375	371,698	448,556
Cost of services		<u>(293,326)</u>	<u>(333,027)</u>	<u>(404,584)</u>
Gross profit		30,049	38,671	43,972
Other income	7	22	2,633	1,536
Administrative and other expenses		(6,296)	(13,280)	(16,154)
Finance costs	8	<u>(209)</u>	<u>(215)</u>	<u>(255)</u>
Profit before income tax expense	9	23,566	27,809	29,099
Income tax expense	10	<u>(3,904)</u>	<u>(5,334)</u>	<u>(5,775)</u>
Profit and total comprehensive income for the year		<u><u>19,662</u></u>	<u><u>22,475</u></u>	<u><u>23,324</u></u>

## Consolidated Statements of Financial Position

	Notes	As at 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment	14	1,121	1,156	1,047
<b>Current assets</b>				
Trade receivables	15	22,376	12,665	49,494
Retention money receivables	16	17,175	19,287	25,364
Deposits, prepayments and other receivables	17	9,328	12,529	23,010
Amounts due from customers for contract work	18	26,480	16,758	61,071
Amounts due from directors	19	6,240	—	2,398
Cash and cash equivalents		19,850	36,165	24,696
		101,449	97,404	186,033
<b>Current liabilities</b>				
Trade and retention money payables	20	41,096	26,404	82,545
Accruals and other payables	21	1,900	10,537	4,158
Amounts due to directors	19	—	1,241	3,852
Amounts due to customers for contract work	18	1,898	—	4,373
Bank borrowings	22	9,716	13,471	8,526
Obligations under finance leases	23	52	52	52
Current tax liabilities		5,310	1,634	81
		59,972	53,339	103,587
<b>Net current assets</b>		41,477	44,065	82,446
<b>Total assets less current liabilities</b>		42,598	45,221	83,493
<b>Non-current liabilities</b>				
Obligations under finance leases	23	134	82	30
<b>NET ASSETS</b>		42,464	45,139	83,463
<b>Capital and Reserves</b>				
Share capital	24	—	—	—*
Reserves	24	42,464	45,139	83,463
<b>TOTAL EQUITY</b>		42,464	45,139	83,463

\* The balance represents an amount less than HK\$1,000.



## Statement of Financial Position

	<i>Notes</i>	<b>As at 31 March 2018 HK\$'000</b>
<b>Non-current assets</b>		
Investment in a subsidiary	25	60,139
<b>Current assets</b>		
Amount due from the holding company	19	—*
Prepayments		<u>17</u>
		-----17
<b>Current liabilities</b>		
Amount due to a subsidiary	19	<u>34</u>
<b>NET CURRENT LIABILITIES</b>		<u><u>(17)</u></u>
<b>NET ASSETS</b>		<u><u>60,122</u></u>
<b>Capital and Reserves</b>		
Share capital	24	—*
Reserves	24	<u>60,122</u>
<b>TOTAL EQUITY</b>		<u><u>60,122</u></u>

\* The balance represents an amount less than HK\$1,000.

## Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	—	500	22,302	22,802
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>19,662</u>	<u>19,662</u>
At 31 March 2016 and 1 April 2016	—	500	41,964	42,464
Dividends ( <i>Note 12</i> )	—	—	(19,800)	(19,800)
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>22,475</u>	<u>22,475</u>
At 31 March 2017 and 1 April 2017	—	500	44,639	45,139
Profit and total comprehensive income for the year	—	—	23,324	23,324
Issue of share at date of incorporation	—*	—	—	—*
Issue of shares by a subsidiary to a pre-IPO investor	<u>—</u>	<u>15,000</u>	<u>—</u>	<u>15,000</u>
At 31 March 2018	<u>—*</u>	<u>15,500</u>	<u>67,963</u>	<u>83,463</u>

\* The balance represents an amount less than HK\$1,000.

## Consolidated Statements of Cash Flows

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense	23,566	27,809	29,099
Adjustments for:			
Depreciation of property, plant and equipment	154	147	130
Write-off of property, plant and equipment	45	—	—
Finance costs	209	215	255
	<u>23,974</u>	<u>28,171</u>	<u>29,484</u>
(Increase)/decrease in trade receivables	(12,775)	9,711	(36,829)
Increase in retention money receivables	(2,198)	(2,112)	(6,077)
Decrease/(increase) in deposits, prepayments and other receivables	2,113	(3,201)	(10,481)
(Increase)/decrease in amounts due from customers for contract work	(5,430)	9,722	(44,313)
Increase/(decrease) in trade and retention money payables	8,107	(14,692)	56,141
Increase/(decrease) in accruals and other payables	1,237	3,637	(1,389)
(Decrease)/increase in amounts due to customers for contract work	(544)	(1,898)	4,373
	<u>14,484</u>	<u>29,338</u>	<u>(9,091)</u>
Cash generated from/(used in) operations	14,484	29,338	(9,091)
Income tax paid	(870)	(9,010)	(7,328)
	<u>(870)</u>	<u>(9,010)</u>	<u>(7,328)</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>13,614</u>	<u>20,328</u>	<u>(16,419)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(178)	(307)	(21)
<b>Net cash used in investing activities</b>	<u>(178)</u>	<u>(307)</u>	<u>(21)</u>
<b>Cash flows from financing activities</b>			
Interest paid	(209)	(215)	(245)
Deposit received from a pre-IPO investor for issue of shares of a subsidiary	—	5,000	—
Proceeds from issue of shares of a subsidiary to a pre-IPO investor	—	—	10,000
Proceeds from bank borrowings	20,120	6,000	1,409
Repayments of bank borrowings	(19,055)	(2,245)	(6,354)
(Advances to)/repayments from directors	(11,984)	(12,194)	213
Repayment of finance lease payables	(68)	(52)	(52)
	<u>(11,196)</u>	<u>(3,706)</u>	<u>4,971</u>
<b>Net cash (used in)/generated from financing activities</b>	<u>(11,196)</u>	<u>(3,706)</u>	<u>4,971</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,240	16,315	(11,469)
Cash and cash equivalents at beginning of the year	<u>17,610</u>	<u>19,850</u>	<u>36,165</u>
<b>Cash and cash equivalents at end of the year</b>	<u>19,850</u>	<u>36,165</u>	<u>24,696</u>
Represented by:			
Cash and bank balances	<u>19,850</u>	<u>36,165</u>	<u>24,696</u>

**NOTES TO THE FINANCIAL INFORMATION****1. CORPORATE INFORMATION**

The Company was incorporated in the Cayman Islands on 11 May 2017, as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The directors consider that both the Company's immediate holding company and ultimate holding company is Shiny Golden Limited, a company incorporated in the British Virgin Islands ("BVI"). The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business is located at Unit 2105, 21/F., Win Plaza, 9–11 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 25.

**2. BASIS OF PRESENTATION AND PREPARATION****(a) Reorganisation and basis of presentation**

Pursuant to the reorganisation as detailed in "History, Development and Reorganisation" section of the Prospectus (the "Reorganisation"), in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange (the "Listing") and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 28 November 2017 by way of transfer of equity interests in Century Success Limited to the Company in consideration of the Company's allotment and issue of shares to the companies held by the then shareholders of Century Success Limited (the "Share Transfer").

Prior to the Reorganisation, the Group's operations were carried on by a subsidiary of the Company, Head Fame Company Limited (the "Operating Entity"), which was jointly controlled by Mr. Chan Kam Tong and Mr. Chan Kam Ming (the "Controlling Shareholders"). As part of the Reorganisation, Century Success Limited, the immediate holding company of the Operating Entity and the Company were incorporated and interspersed between the Operating Entity and the Controlling Shareholders. Each of the Company and the immediate holding company of the Operating Entity has not been involved in any businesses prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Group and has no substance and does not form a business combination. Accordingly, the Historical Financial Information has been prepared and presented using the book values of the Operating Entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared using the financial statements of the entities now comprising the Group, as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. All significant intra-group transactions and balances have been eliminated on consolidation.

The Historical Financial Information is presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

**(b) Basis of preparation**

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4, which conform with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Historical Financial Information has been prepared under the historical cost basis. All companies comprising the Group have adopted 31 March as their financial year end date.

### 3. ADOPTION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied those HKFRSs issued by the HKICPA, which are relevant to and effective for the accounting periods beginning on 1 April 2017, throughout the Track Record Period.

The Group has not early adopted the following new/revised HKFRSs that have been issued, but are not yet effective, in the Historical Financial Information.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

The directors are in the process of assessing the impact of these new/revised HKFRSs and do not intend to adopt them before their respective effective dates. Other than HKFRS 9, HKFRS 15 and HKFRS 16, the directors expect that the adoption of the new standards and amendments above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of HKFRS 9, HKFRS 15 and HKFRS 16 is set out below.

#### HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company consider that the application of HKFRS 9 in the future will not have a significant impact on the Group's financial performance and financial position, but in general the new impairment requirements will result in earlier recognition of credit losses of the Group's trade and other receivables. The expected credit loss model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets that do not contain a significant financing component in accordance with HKFRS 15.

In the opinion of the directors of the Company, based on the historical experience of the Group, the default rate of the outstanding balances with customers and other debtors is low. Hence, the directors of the Company anticipate that application of the expected credit loss model under HKFRS 9 would not have material impact on the Group's financial position and result of operations.

The Group intends to apply HKFRS 9 retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparative information will not be restated and any transition adjustments will be recognised against the opening balance of equity as at 1 April 2018.

#### **HKFRS 15 — Revenue from Contracts with Customers**

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

#### **Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)**

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Group has assessed that the application of HKFRS 15 is not likely to have significant impact on how it recognises revenue from provision of services. For the revenue from construction contracts, the Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Methods that can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time include (i) output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date) and; (ii) input method (i.e. recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation). In measuring the work progress under HKFRS 15, the Group expects to apply an input method with reference to the stage of completion of the contract activity at the end of reporting period. So far as the measurement of progress of the Group's typical contracts is concerned, the Group expects that there would not be any significant impact on the revenue recognition profile.

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. Costs that relate to satisfied performance obligations in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Currently, contract costs of the Group are recognised by reference to the stage of completion of the contract, which is measured by reference to the proportion of contract costs incurred to date bear to the estimated total costs of the relevant contracts. Under HKFRS 15, contract costs that related to satisfy performance obligations are expensed as incurred. The Group expects that there would not be any significant impact on the timing of recognition of contract costs.

The Group expects that the adoption of HKFRS 15 will result in additional disclosures in the Group's consolidated financial statements.

The Group plans to apply HKFRS 15, as allowed under its transition requirements, retrospectively to contracts that are not completed as of the mandatory adoption date on 1 April 2018, with a cumulative effect adjustment.

#### **HKFRS 16 — Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 26 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and storage rooms as at 31 March 2018 amounted to approximately HK\$372,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

##### 4.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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 repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value under reducing balance method. The annual depreciation rate and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual depreciation rates are as follows:

Furniture and equipment	10%
Motor vehicles	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

##### 4.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

###### *The Group as lessee*

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.



#### 4.4 Financial instruments

##### (i) *Financial assets*

The Group's financial assets are all classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

##### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

##### (ii) *Impairment loss on financial assets*

The Group assesses, at the end of each of the reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

##### *For Loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

##### (iii) *Financial liabilities*

The Group's financial liabilities are mainly classified as financial liabilities at amortised cost, which are initially measured at fair value, net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### (iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

#### 4.5 Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

Stage of completion is estimated with reference to the proportion of contract costs incurred to date bear to the estimated total costs of the relevant contracts.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work.

#### 4.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services. 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:

Revenue from construction contracts is recognised based on the stage of completion, measured by reference to the proportion of contract costs incurred to date bear to the estimated total costs of the relevant contracts (Note 4.5).

Interest income is recognised using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, when appropriate, to the net carrying amount of the financial asset.

#### 4.7 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

#### 4.8 Foreign currency transactions

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

#### 4.9 Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

##### (ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

##### (iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

**4.10 Impairment of assets (other than financial assets)**

At the end of each reporting period, the Group assesses whether there is any indication that items of property, plant and equipment have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**4.11 Capitalisation of borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**4.12 Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**4.13 Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statement of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### **Impairment loss of trade, retention money and other receivables**

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4.4(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

### **Outcome of construction contracts**

As explained in Notes 4.5 and 4.6, revenue and profit recognition on an uncompleted projects is dependent on whether the outcome of the construction contracts can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion, as well as the assessment of the profitability of the construction contracts. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

## 6. SEGMENT INFORMATION

**Operating segments**

During the Track Record Period, the Group was principally engaged in the provision of superstructure building and repair, maintenance, alteration & addition ("RMAA") works, as a main contractor, in Hong Kong. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

**Geographical information**

During the Track Record Period, the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

**Information about major customers**

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Customer A	119,385	N/A*	N/A*
Customer B	—	N/A*	87,985
Customer C	108,818	N/A*	N/A*
Customer D	N/A*	235,335	N/A*
Customer E	55,303	52,146	104,333
Customer F	—	N/A*	160,068

\* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

## 7. REVENUE AND OTHER INCOME

Revenue during the Track Record Period represents amounts received and receivable from construction contract work performed and recognised in accordance with accounting policy set out in Notes 4.5 and 4.6 above.

An analysis of the Group's revenue recognised during the Track Record Period is as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Superstructure building works	214,261	343,455	420,705
RMAA works	109,114	28,243	27,851
	<u>323,375</u>	<u>371,698</u>	<u>448,556</u>

An analysis of the Group's other income recognised during the Track Record Period is as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Refund of legal fees ( <i>Note</i> )	—	2,351	—
Recovery of bad debts	—	—	991
Compensation income	—	282	545
Sundry income	22	—*	—*
	<u>22</u>	<u>2,633</u>	<u>1,536</u>

\* The balance represents an amount less than HK\$1,000.

*Note:* The refund of legal fees refers to the return of security deposit of approximately HK\$821,000 from the High Court and settlement sum of approximately HK\$1,530,000 paid by the defendant in relation to a settled litigation case of the Group.

## 8. FINANCE COSTS

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	191	206	247
Finance lease interest	18	9	8
	<u>209</u>	<u>215</u>	<u>255</u>

## 9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Auditors' remuneration	150	150	150
Listing expenses	—	4,307	5,305
Depreciation of property, plant and equipment	154	147	130
Write-offs of property, plant and equipment	45	—	—
Employee benefit expenses (including directors' remuneration) ( <i>Note 11</i> )			
— Wages and salaries	14,029	16,356	22,962
— Contributions to defined contribution retirement plans	566	581	727
— Others	686	87	153
	<u>15,281</u>	<u>17,024</u>	<u>23,842</u>
Minimum lease payments under operating leases			
— buildings	272	312	541
Machinery rental expense	<u>9,682</u>	<u>8,050</u>	<u>9,964</u>

**10. INCOME TAX EXPENSE**

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business. The income tax expense in the consolidated statements of comprehensive income during the Track Record Period represents:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Current income tax			
— Hong Kong Profits Tax	3,904	5,334	5,775

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits throughout the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax expense	23,566	27,809	29,099
Tax calculated at statutory tax rate of 16.5%	3,888	4,588	4,801
Tax effect of expenses not deductible for tax purpose	8	729	947
Tax relief enacted by the tax authority	(20)	(20)	(30)
Others	28	37	57
	3,904	5,334	5,775



## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

## (a) Directors' remuneration

Directors' remuneration for each of the Track Record Period, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fees <i>HK\$'000</i>	Salaries and benefits <i>HK\$'000</i>	Contributions on defined contribution retirement plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2016</b>				
Executive directors:				
Mr. Chan Kam Tong	—	372	18	390
Mr. Chan Kam Ming	—	372	18	390
	<u>—</u>	<u>744</u>	<u>36</u>	<u>780</u>
<b>Year ended 31 March 2017</b>				
Executive directors:				
Mr. Chan Kam Tong	—	372	18	390
Mr. Chan Kam Ming	—	372	18	390
	<u>—</u>	<u>744</u>	<u>36</u>	<u>780</u>
<b>Year ended 31 March 2018</b>				
Executive directors:				
Mr. Chan Kam Tong	—	663	18	681
Mr. Chan Kam Ming	—	663	18	681
	<u>—</u>	<u>1,326</u>	<u>36</u>	<u>1,362</u>

**(b) Five highest paid individuals' remuneration**

The five individuals with the highest remuneration of the Group did not include any directors of the Company during each of the years ended 31 March 2016, 2017 and 2018. The emoluments of the five highest paid individuals during the Track Record Period are as follows:

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries and benefits	2,549	3,558	4,824
Contributions to defined contribution retirement plans	<u>67</u>	<u>72</u>	<u>72</u>
	<u>2,616</u>	<u>3,630</u>	<u>4,896</u>

Their remuneration fell within the following bands:

	Year ended 31 March		
	2016 <i>No. of individuals</i>	2017 <i>No. of individuals</i>	2018 <i>No. of individuals</i>
Nil to HK\$1,000,000	5	4	4
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>1</u>	<u>1</u>
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no director or any of the five highest paid individuals waived or agreed to waive any remuneration. There were no emoluments paid by the Group to the directors or any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

**12. DIVIDENDS**

Other than dividends of HK\$19,800,000 declared and paid by the Operating Entity to its then shareholders during the year ended 31 March 2017, no dividend has been paid or declared by the Company since its date of incorporation, or by any of the companies now comprising the Group, during the Track Record Period.

Subsequent to the end of the Track Record Period, on 30 May 2018, dividend of HK\$6,000,000 for the year ended 31 March 2018 was declared by the Company, of which an amount of approximately HK\$2,398,000 was settled by offsetting with amount due from a director. Such dividend is not reflected as a dividend payable in the consolidated statement of financial position as at 31 March 2018, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2019. There are no income tax consequences related to the payment of dividend by the Company to its shareholders.

**13. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period as described in Note 2 above.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>			
At 1 April 2015	974	1,011	1,985
Additions	178	—	178
Write-off	—	(154)	(154)
At 31 March 2016 and 1 April 2016	1,152	857	2,009
Additions	307	—	307
Disposals	—	(597)	(597)
At 31 March 2017 and 1 April 2017	1,459	260	1,719
Additions	21	—	21
At 31 March 2018	1,480	260	1,740
<b>Accumulated depreciation</b>			
At 1 April 2015	249	568	817
Provided for the year	73	81	154
Eliminated on write-off	—	(83)	(83)
At 31 March 2016 and 1 April 2016	322	566	888
Provided for the year	114	33	147
Eliminated on disposals	—	(472)	(472)
At 31 March 2017 and 1 April 2017	436	127	563
Provided for the year	104	26	130
At 31 March 2018	540	153	693
<b>Net book value</b>			
At 31 March 2016	830	291	1,121
At 31 March 2017	1,023	133	1,156
At 31 March 2018	940	107	1,047
The net carrying amount of property, plant and equipment includes the following assets held under finance leases (Note 23).			
	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor vehicles	166	133	107

**15. TRADE RECEIVABLES**

Trade receivables were mainly derived from provision of building and civil engineering construction works, and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

The Group grants an average credit period of 30 days to its trade customers of contract works. Application for progress payments of contract works is made on a regular basis.

The Group had a concentration of credit risk as the Group's trade receivables were due from the Group's largest customer and the four largest customers as detailed below:

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Largest customer	13,485	12,395	32,338
Four largest customers	<u>22,376</u>	<u>12,665</u>	<u>49,494</u>

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Less than 1 month	22,376	12,395	49,417
More than 1 month but less than 3 months	—	—	77
More than 3 months but less than one year	<u>—</u>	<u>270</u>	<u>—</u>
	<u>22,376</u>	<u>12,665</u>	<u>49,494</u>

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Neither past due nor impaired	22,376	12,395	49,417
1 to 3 months past due	—	—	77
More than 3 months past due but less than one year past due	<u>—</u>	<u>270</u>	<u>—</u>
	<u>22,376</u>	<u>12,665</u>	<u>49,494</u>

**16. RETENTION MONEY RECEIVABLES**

Retention monies withheld by customers for contract work are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. As at 31 March 2016, 31 March 2017 and 31 March 2018, none of the Company's retention money receivables was past due but not impaired.

**17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Deposits	6,180	5,022	7,967
Prepayments	2,369	5,032	8,475
Deferred listing expenses	—	1,435	2,714
Other receivables	779	1,040	3,854
	<u>9,328</u>	<u>12,529</u>	<u>23,010</u>

Included in the Group's deposits as at 31 March 2016, 31 March 2017 and 31 March 2018 were deposits of approximately HK\$3,391,000 and HK\$4,390,000 and HK\$7,425,000, respectively, placed with an insurance company as security for issuance of non-interest bearing surety bonds for construction contracts.

The deferred listing expenses are incurred in connection with the listing of the Group and will be deducted from equity upon listing of the Company.

The balances of other receivables are unsecured, interest-free and repayable on demand. The Group's other receivables were neither past due nor impaired at the end of each of the Track Record Period.

**18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of reporting periods:			
Contract costs incurred	772,059	846,951	886,331
Recognised profits less recognised losses	<u>73,302</u>	<u>76,601</u>	<u>84,560</u>
	845,361	923,552	970,891
Less: progress billings	<u>(820,779)</u>	<u>(906,794)</u>	<u>(914,193)</u>
	<u>24,582</u>	<u>16,758</u>	<u>56,698</u>
Represented by:			
Amounts due from customers for contract work	26,480	16,758	61,071
Amounts due to customers for contract work	<u>(1,898)</u>	<u>—</u>	<u>(4,373)</u>
	<u>24,582</u>	<u>16,758</u>	<u>56,698</u>

All amounts due from/(to) customers for contract work are expected to be recovered/settled within one year from the end of each of the Track Record Period.

**19. AMOUNTS DUE FROM/(TO) DIRECTORS/THE HOLDING COMPANY/A SUBSIDIARY**

The balances with the directors, the holding company and a subsidiary are unsecured, interest-free and repayable on demand and are non-trade in nature.

Particulars of amounts due from/(to) directors are as follows:

	Maximum amount outstanding during the year ended 31 March			As at 31 March		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chan Kam Tong	3,153	9,210	2,398	3,120	(621)	2,398
Mr. Chan Kam Ming	<u>3,153</u>	<u>9,210</u>	<u>2,398</u>	<u>3,120</u>	<u>(620)</u>	<u>(3,852)</u>
				<u>6,240</u>	<u>(1,241)</u>	<u>(1,454)</u>

None of the amounts due from directors was impaired at the end of each of the Track Record Period.

## 20. TRADE AND RETENTION MONEY PAYABLES

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Trade payables ( <i>Note i</i> )	36,032	12,470	57,309
Retention money payables ( <i>Note ii</i> )	<u>5,064</u>	<u>13,934</u>	<u>25,236</u>
	<u>41,096</u>	<u>26,404</u>	<u>82,545</u>

*Note i:* An ageing analysis of trade payables as at the end of each of the Track Record Period, based on the invoice dates, is as follows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Current or less than 1 month	29,198	11,418	39,405
1 to 3 months	5,864	—	15,822
More than 3 months but less than 1 year	748	501	548
More than 1 year	<u>222</u>	<u>551</u>	<u>1,534</u>
	<u>36,032</u>	<u>12,470</u>	<u>57,309</u>

*Note ii:* Retention monies from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

## 21. ACCRUALS AND OTHER PAYABLES

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Accrual expenses	1,900	3,502	3,833
Other payables ( <i>Note</i> )	<u>—</u>	<u>7,035</u>	<u>325</u>
	<u>1,900</u>	<u>10,537</u>	<u>4,158</u>

*Note:* Included in the Group's other payables as at 31 March 2017 was a sum of approximately HK\$5,000,000 received from a pre-IPO investor for subscription of shares of Century Success Limited, a subsidiary of the Company.

## 22. BANK BORROWINGS

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Interest bearing bank borrowings which contain a repayable on demand clause and classified as current liabilities	9,716	13,471	8,526

*Notes:*

- (i) The bank borrowings are secured by personal guarantees given by Mr. Chan Kam Tong and Mr. Chan Kam Ming, directors of the Company, and the spouse of Mr. Chan Kam Ming, and properties directly and indirectly held by Mr. Chan Kam Tong and Mr. Chan Kam Ming. Interests are charged at prime rate-2.8% and prime rate-2.5% per annum and prime rate-2.8% and prime rate-2.5% per annum and prime rate-2.8% and Hong Kong Interbank Offered Rate +1.8% per annum for the years ended 31 March 2016, 2017 and 2018, respectively.
- (ii) Part of the Group's bank borrowings with scheduled repayments after one year are classified as current liabilities as the related loan agreements contain a clause that provides the lender with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year from the end of each of the Track Record Period.

At the end of each of the Track Record Period, the Company's bank borrowings were scheduled to be repaid as follows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
On demand or within one year	1,749	6,354	2,279
More than one year, but not exceeding two years	850	869	888
More than two years, but not exceeding five years	2,666	2,725	2,785
After five years	4,451	3,523	2,574
	<u>9,716</u>	<u>13,471</u>	<u>8,526</u>

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

All of the banking facilities are subject to the fulfillment of covenants relating to the Group's financial position, certain requirements on the operation and the dividend payment, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the outstanding loans would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company has complied with the covenants and met the scheduled repayment obligations or not.

The Group regularly monitors its compliance with these covenants and is up to date with the scheduled repayments of the bank borrowings. As at 31 March 2016, there was a breach of one of the covenants on the bank borrowings of approximately HK\$9,716,000 agreed in February 2016 regarding the minimum level of trade receivables transactions routing through the operation account maintained with the subject bank. The Group has notified the breach to the subject bank. The subject bank had indicated to the Company that since the covenant was newly agreed, the subject bank would allow a reasonable timeframe for the Company to comply with this new covenant. During the year ended 31 March 2017, the Group has rectified the breach. In the opinion of the directors of the Company, the Group has subsequently fulfilled all covenants of the banking facilities as at 31 March 2017 and 31 March 2018. Further details of the Group's management of liquidity risk are set out in Note 29.

**23. OBLIGATIONS UNDER FINANCE LEASES**

The Group leased one, one and one motor vehicle as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively. Each of these leases was classified as a finance lease as the rental period amounted to the estimated useful economic life of the asset concerned and the Group has the right to purchase the asset outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total minimum lease payments:			
— due within one year	60	60	61
— due in the second year	61	61	35
— due in the third to fifth years	<u>96</u>	<u>35</u>	<u>—</u>
	217	156	96
Future finance charges on finance lease	<u>(31)</u>	<u>(22)</u>	<u>(14)</u>
Present value of finance lease liabilities	<u>186</u>	<u>134</u>	<u>82</u>
Total minimum lease payments:			
— due within one year	52	52	52
— due in the second year	50	52	30
— due in the third to fifth years	<u>84</u>	<u>30</u>	<u>—</u>
	186	134	82
Less: portion classified as current liabilities	<u>(52)</u>	<u>(52)</u>	<u>(52)</u>
Non-current portion	<u>134</u>	<u>82</u>	<u>30</u>

**24. SHARE CAPITAL AND RESERVES****(a) Share capital**

The Company was incorporated on 11 May 2017 in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each.

**(b) Reserves**

Details of movements of the Group's reserves are set out in the consolidated statements of changes in equity on page I-5.

The nature of reserves within equity is as follows:

*(i) Capital reserve*

Capital reserve represented the aggregate of the share capital of the Operating Entity and investment from pre-IPO investors.

*(ii) Retained earnings/(accumulated losses)*

Retained earnings/(accumulated losses) represent the cumulative profit or loss recognised.



(iii) *Contributed surplus*

Contributed surplus represents the excess of the then carrying amount of the equity value of subsidiaries acquired and the nominal value of the Company's shares issued for such acquisition.

Details of movements of the Company's reserves are set out below.

	Share capital <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Issue of share at date of incorporation	—*	—	—	—*
Issue of shares by the Company	—*	60,139	—	60,139
Loss and total comprehensive income for the period	—	—	(17)	(17)
At 31 March 2018	<u>—*</u>	<u>60,139</u>	<u>(17)</u>	<u>60,122</u>

\* The balance represents an amount less than HK\$1,000.

## 25. INVESTMENT IN A SUBSIDIARY

	As at 31 March 2018 <i>HK\$'000</i>
Unlisted shares, at cost	<u>60,139</u>

As at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities. The details of the statutory auditors of these subsidiaries, if any, are also set out below:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital	Principal activities and principal place of business	Notes
		Direct	Indirect			
Century Success Limited	BVI, 11 January, 2017, limited liability company	100%	—	US\$300 divided into 300 shares of US\$1 each	Investment holding, Hong Kong	(a)
Head Fame Company Limited	Hong Kong, 23 August 1985, limited liability company	—	100%	HK\$500,000 divided into 500,000 shares	Provision of superstructure building and RMAA works as a main contractor, Hong Kong.	(b)

*Notes:*

- (a) No statutory financial statements have been prepared for this subsidiary as there is no statutory requirement to do so.
- (b) The statutory financial statements for the years ended 31 March 2016 and 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, were audited by BDO Limited.

## 26. OPERATING LEASE COMMITMENTS

## Operating leases — lessee

The Group leases office premises and storage rooms under operating leases. The leases run for initial periods of 7 to 36 months and the leases do not include contingent rentals. The total future minimum lease payments payable by the Group under non-cancellable operating lease are as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Not later than one year	312	324	372
More than one year, but not exceeding two years	564	278	—
	<u>876</u>	<u>602</u>	<u>372</u>

## 27. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group entered into the following related party transactions during the Track Record Period:

Name of related parties	Nature of transactions	For the year ended 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Fully Tact Limited ( <i>Note (a)</i> )	Rental expense ( <i>Note (b)</i> )	264	—	—
Mr. Chan Kam Tong and Mr. Chan Kam Ming	Disposal of motor vehicle ( <i>Note (c)</i> )	—	125	—

## Notes:

- (a) Mr. Chan Kam Tong and Mr. Chan Kam Ming, directors of the Company, are the directors and beneficial owners of the company.
- (b) The monthly rental expense is based on mutually agreed price between the contracted parties.
- (c) The consideration is based on the net book value of the motor vehicle at the date of disposal.

## (ii) Key management personnel remuneration

Key management personnel remuneration represents emoluments paid to the directors of the Company as set out in Note 11.

## 28. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

## (a) Major non-cash transactions

- (i) During the year ended 31 March 2016, a motor vehicle was disposed of for a consideration of approximately HK\$26,000 and the related obligation under a finance lease with the same amount was assumed by the buyer, and accordingly there was no cash flow therefrom.
- (ii) During the year ended 31 March 2017, a motor vehicle was disposed of to Mr. Chan Kam Tong and Mr. Chan Kam Ming, directors of the Company, for a consideration representing its net book value of approximately HK\$125,000. The consideration was settled by way of setting off against the amounts due to them, and accordingly there was no cash flow therefrom.
- (iii) During the year ended 31 March 2017, dividends of HK\$19,800,000 were declared by the Operating Entity to its then shareholders, Mr. Chan Kam Tong and Mr. Chan Kam Ming. The dividends were settled by way of setting off against the amounts due to them.

## (b) Reconciliation of movements of liabilities arising from financing activities

	Borrowings HK\$'000	Obligations under finance leases HK\$'000	Interest payable HK\$'000	Amounts due (from)/to directors, net HK\$'000
At 1 April 2015	8,651	280	—	5,744
Cash flows	1,065	(68)	(209)	(11,984)
Non-cash changes				
Finance lease transferred	—	(26)	—	—
Finance lease interest incurred	—	—	18	—
Borrowing interest incurred	—	—	191	—
At 31 March 2016 and 1 April 2016	9,716	186	—	(6,240)
Cash flows	3,755	(52)	(215)	(12,194)
Non-cash changes				
Finance lease interest incurred	—	—	9	—
Borrowing interest incurred	—	—	206	—
Settlement of dividends declared by offsetting with the outstanding balances	—	—	—	19,800
Disposal of a motor vehicle to directors	—	—	—	(125)
At 31 March 2017 and 1 April 2017	13,471	134	—	1,241
Cash flows	(4,945)	(52)	(245)	213
Non-cash changes				
Finance lease interest incurred	—	—	8	—
Borrowing interest incurred	—	—	247	—
At 31 March 2018	<u>8,526</u>	<u>82</u>	<u>10</u>	<u>1,454</u>

**29. FINANCIAL RISK MANAGEMENT**

The Group's principal financial assets are trade receivables, deposits and other receivables, amounts due from customers for contract work, amount due from directors, retention money receivables and cash and cash equivalents, that derive directly from its operations. Principal financial liabilities of the Group include trade and retention money payables, accruals, amounts due to customers for contract work, amounts due to directors, bank borrowings and obligations under finance leases. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Track Record Period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

**(a) 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 business.

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

None of the financial assets of the Group are secured by collateral or other credit enhancements.

The credit risk of the Group's trade and retention money receivables is concentrated, because, as at 31 March 2016, 31 March 2017 and 31 March 2018, 35%, 39% and 43% and 96%, 99% and 100% of which was due from the Company's largest and five largest customers, respectively. Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in Note 15. The credit risk for cash at banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**(b) Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and retention money payables, accruals and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms. In the opinion of the directors of the Company, the Group was able to comply with all covenants of the banking facilities as at 31 March 2017 and 31 March 2018.

The liquidity policies have been followed by the Group throughout the Track Record Period and are considered to have been effective in managing liquidity risks.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within one year or on demand <i>HK\$'000</i>	More than one year but less than two years <i>HK\$'000</i>	More than two years but less than five years <i>HK\$'000</i>	More than five years <i>HK\$'000</i>
<b>At 31 March 2016</b>						
Trade and retention money payables	41,096	41,096	41,096	—	—	—
Accruals and other payables	1,900	1,900	1,900	—	—	—
Amounts due to customers for contract work	1,898	1,898	1,898	—	—	—
Bank borrowings	9,716	10,700	10,700	—	—	—
Obligations under finance leases	186	217	60	61	96	—
	<u>54,796</u>	<u>55,811</u>	<u>55,654</u>	<u>61</u>	<u>96</u>	<u>—</u>
<b>At 31 March 2017</b>						
Trade and retention money payables	26,404	26,404	26,404	—	—	—
Accruals and other payables	10,537	10,537	10,537	—	—	—
Amounts due to directors	1,241	1,241	1,241	—	—	—
Bank borrowings	13,471	14,327	14,327	—	—	—
Obligations under finance leases	134	156	60	61	35	—
	<u>51,787</u>	<u>52,665</u>	<u>52,569</u>	<u>61</u>	<u>35</u>	<u>—</u>
<b>At 31 March 2018</b>						
Trade and retention money payables	82,545	82,545	82,545	—	—	—
Accruals and other payables	4,158	4,158	4,158	—	—	—
Amounts due to directors	3,852	3,852	3,852	—	—	—
Amounts due to customers for contract work	4,373	4,373	4,373	—	—	—
Bank borrowings	8,526	9,147	9,147	—	—	—
Obligations under finance leases	82	96	61	35	—	—
	<u>103,536</u>	<u>104,171</u>	<u>104,136</u>	<u>35</u>	<u>—</u>	<u>—</u>

Borrowings with a repayment on demand clause are included in the “on demand” time band in the above maturity analysis. As at 31 March 2016, 31 March 2017 and 31 March 2018, the aggregate undiscounted principal amounts of these loans amounted to approximately HK\$10,700,000, HK\$14,327,000 and HK\$9,147,000 respectively. Taking into account the Company’s financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	More than one year but less than two years HK\$'000	More than two years but less than five years HK\$'000	More than five years HK\$'000
Bank borrowings						
As at 31 March 2016	<u>9,716</u>	<u>10,700</u>	<u>1,946</u>	<u>1,017</u>	<u>3,051</u>	<u>4,686</u>
As at 31 March 2017	<u>13,471</u>	<u>14,327</u>	<u>6,590</u>	<u>1,017</u>	<u>3,051</u>	<u>3,669</u>
As at 31 March 2018	<u>8,526</u>	<u>9,147</u>	<u>2,427</u>	<u>1,017</u>	<u>3,051</u>	<u>2,652</u>

(c) **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. The Group’s bank deposits and cash at bank balances bear floating interest rates. The Group also has bank borrowings and finance lease payables which bear interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group’s policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

*Exposure*

The following table details the interest rate profile of the Group’s financial instruments at the end of each reporting period:

	Effective interest rate per annum			Carrying amount		
	2016 %	2017 %	2018 %	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Fixed rate instruments</b>						
Financial liabilities						
Obligations under finance leases	3.25	3.25	3.25	<u>186</u>	<u>134</u>	<u>82</u>
<b>Variable rate instruments</b>						
Financial assets						
Cash and cash equivalents	0.01	0.05	0.02	(18)	(8)	(2)
Financial liabilities						
Bank borrowings	2.20–2.50	2.20–2.50	2.20–2.62	<u>9,716</u>	<u>13,471</u>	<u>8,526</u>
				<u>9,698</u>	<u>13,463</u>	<u>8,524</u>
Net exposure				<u>9,884</u>	<u>13,597</u>	<u>8,606</u>

*Sensitivity analysis*

As at 31 March 2016, 31 March 2017 and 31 March 2018, if the interest rate on the outstanding bank loans had been 100 basis points higher/lower, with all other variables held constant, our profit after tax for the respective years ended would have been lower/higher by HK\$81,000, HK\$112,000 and HK\$71,000, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the Track Record Period and had been applied to the exposure to interest rate risk for the borrowings in existence at those dates. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over each of the period until the next annual reporting date.

**30. CAPITAL MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total equity. Total debts represent the total balance of bank borrowings and finance lease payables as shown in the statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Bank borrowings	9,716	13,471	8,526
Obligations under finance leases	186	134	82
Less: Cash and cash equivalents	<u>(19,850)</u>	<u>(36,165)</u>	<u>(24,696)</u>
Net cash	<u>(9,948)</u>	<u>(22,560)</u>	<u>(16,088)</u>
Total equity	<u>42,464</u>	<u>45,139</u>	<u>83,463</u>
Net debt to equity ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY**

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities.

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Financial assets</b>			
Loans and receivables:			
— Trade receivables	22,376	12,665	49,494
— Retention money receivables	17,175	19,287	25,364
— Deposits and other receivables	6,959	6,062	11,821
— Amounts due from customers for contract work	26,480	16,758	61,071
— Amounts due from directors	6,240	—	2,398
— Cash and cash equivalents	<u>19,850</u>	<u>36,165</u>	<u>24,696</u>
	<u>99,080</u>	<u>90,937</u>	<u>174,844</u>

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
<b>Financial liabilities</b>			
Measured at amortised cost:			
— Trade and retention money payables	41,096	26,404	82,545
— Accruals and other payables	1,900	10,537	4,158
— Amounts due to directors	—	1,241	3,852
— Amounts due to customers for contract work	1,898	—	4,373
— Bank borrowings	9,716	13,471	8,526
— Obligations under finance leases	186	134	82
	<u>54,796</u>	<u>51,787</u>	<u>103,536</u>

Management has assessed that the fair values of the above financial assets and liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments or that interests thereon are based on market rates.

### 32. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain construction contracts. Details of these guarantees as of the end of each of the Track Record Period are as follows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Aggregate value of the surety bonds issued in favour of customers	<u>40,868</u>	<u>45,813</u>	<u>35,934</u>

The directors are of the opinion that it is not probable that the insurance companies/bank would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of each of the Track Record Period. Moreover, certain surety bonds are also secured by corporate guarantee of the Operating Entity and personal guarantees by Mr. Chan Kam Tong and Mr. Chan Kam Ming, directors of the Company, and/or properties directly and indirectly held by Mr. Chan Kam Tong and Mr. Chan Kam Ming. The directors have agreed with the insurance companies/bank in principle that the above personal guarantees and collateral security in relation to the banking facilities and surety bonds will be released and replaced by the Group's corporate guarantee and certain amount of pledged deposits upon the initial listing of shares of the Company on the Main Board of the Stock Exchange.

### 33. LITIGATION

At the end of each of the Track Record Period, the Group was a defendant in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injury claims. In the opinion of the directors, the possibility of any outflow of resources in settling these claims is remote and accordingly no provision for liabilities in respect of these litigations is necessary.



**SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company or any of its subsidiaries comprising the Group in respect of any period subsequent to 31 March 2018. On 30 May 2018, the directors of the Company declared a dividend of HK\$6,000,000, which has not been recognised as a dividend payable at 31 March 2018.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set forth in this appendix does not form part of the Accountants' Report on the financial information of the Group for the three years ended 31 March 2018 prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

**A. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set forth here to illustrate the effect of the Proposed Share Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 as if the Proposed Share Offer had taken place on 31 March 2018. Because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 or at any future dates following the Proposed Share Offer.

	<b>Consolidated net tangible assets attributable to the owners of the Company as at 31 March 2018 HK\$'000 (note 1)</b>	<b>Estimated net proceeds from the Proposed Share Offer HK\$'000 (note 2)</b>	<b>Unaudited pro forma consolidated net tangible assets attributable to the owners of the Company HK\$'000 (note 3)</b>	<b>Unaudited pro forma consolidated net tangible assets attributable to the owners of the Company per Share HK\$ (note 3)</b>
Based on the Offer Price of HK\$0.45 per Share	83,463	69,480	152,943	0.19
Based on the Offer Price of HK\$0.55 per Share	83,463	88,078	171,541	0.21

*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Proposed Share Offer are based on 200,000,000 New Shares and the indicative Offer Price of HK\$0.45 and HK\$0.55 per Share, being the minimum and maximum Offer Price per Share, respectively, assuming no exercise of Adjustment Options or any options which may be granted under the Share Option Scheme, after deduction of the underwriting fees and other related expenses payable and borne by the Company which have not been reflected in consolidated net tangible assets of the Group as at 31 March 2018.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Proposed Share Offer and the Capitalisation Issue assuming the Proposed Share Offer had been completed on 31 March 2018 and no exercise of the Adjustment Options or any options which may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus or otherwise.
  
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018. In particular, on 30 May 2018, the directors of the Company declared a dividend of HK\$6,000,000, which has not been recognised as a dividend payable on 31 March 2018. The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the effect of the dividend of HK\$6,000,000 declared on 30 May 2018 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.18 and HK\$0.21 on the basis that 800,000,000 Shares were in issue; the dividend was declared on 30 May 2018 and the Share Offer and the Capitalisation Issue had been completed on 31 March 2018, assuming Offer Prices of HK\$0.45 per Share and HK\$0.55 per Share, respectively.

**B.    ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.



**BDO Limited**  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong  
Telephone: (852) 2218 8288  
Telefax: (852) 2815 2239

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the directors of Golden Ponder Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Golden Ponder Holdings Limited (the “**Company**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Company as at 31 March 2018 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company’s prospectus dated 7 August 2018 (the “**Prospectus**”) in connection with the proposed initial public offering and placing of the shares of the Company (the “**Proposed Share Offer**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Share Offer on the Company’s consolidated financial position as at 31 March 2018 as if the Proposed Share Offer had taken place at 31 March 2018. As part of this process, information about the Company’s consolidated financial position as at 31 March 2018 has been extracted by the directors of the Company from the Company’s financial information for the five months ended 31 March 2018, on which an accountants’ report set out in Appendix I of the Prospectus has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Proposed Share Offer at 31 March 2018 would have been as presented.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related 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 entity, 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 by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; 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.

### **BDO Limited**

*Certified Public Accountants*

### **Tang Tak Wah**

Practising Certificate Number P06262

Hong Kong

7 August 2018

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 11 May 2017 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

## 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 25 July 2018. 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 dispatch 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 dispatch 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.

*(vii) Convening of extraordinary general meeting*

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

**(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 at each annual general meeting appoint one or more firms of auditors 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, but if an appointment is not made, the auditors in office shall continue in office until a successor is appointed. A Director, officer or employee of any such Director, officer or employee shall not be appointed auditors of the Company. The Board may fill any casual vacancy in the office of auditors, but while any such vacancy continues the surviving or continuing auditors (if any) may act. The remuneration of the auditors shall be fixed by or on the authority of the Company in the annual general meeting except that in any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The Shareholders may, at any general meeting convened and held in accordance with the Articles, remove the auditors by a special resolution at any time before the expiration of the term of office and shall, by an ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

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 11 May 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 (as revised) 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 appreciations 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 the Tax Concessions Law (as revised).

The undertaking for the Company is for a period of 20 years from 20 June 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 paragraph headed "Documents available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 11 May 2017. Our Company has established a principal place of business in Hong Kong at Unit 2105, 21/F., Win Plaza, 9–11 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 13 June 2017. In connection with such registration, Mr. KT Chan of No. 100 Pinaceae Drive, Palm Springs Westwood, Yuen Long, New Territories, Hong Kong and Mr. KM Chan of Room B, 38/F, The Palace, 83 Broadcast Drive, Kowloon Tong, Kowloon, Hong Kong have 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 of the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

**2. Changes in the share capital of our Company**

- (a) As at the date of incorporation, our Company had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 11 May 2017, one nil-paid subscriber Share was allotted and issued to the initial subscriber to the Memorandum and Articles of Association of our Company, which was subsequently transferred to Shiny Golden on the same date.
- (b) On 28 November 2017, our Company acquired 135 ordinary shares, 135 ordinary shares, 20 ordinary shares and 10 ordinary shares of par value US\$1.00 each of Century Success, representing all of its issued shares in aggregate, from Mr. KT Chan, Mr. KM Chan, UG and Vibrant Sound, respectively, at a consideration which was satisfied by our Company allotting and issuing 26,999 Shares, 2,000 Shares and 1,000 Shares, all credited as fully-paid, to Shiny Golden (at the instructions of Mr. KT Chan and Mr. KM Chan), UG and Vibrant Sound, respectively, and crediting as fully paid the one nil-paid Share held by Shiny Golden.
- (c) Pursuant to the resolutions in writing of the Shareholders passed on 25 July 2018, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each, by the creation of 1,490,000,000 additional ordinary shares.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account the Shares which may be allotted and issued pursuant to the exercise any of the Adjustment Options or options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$15,000,000 divided into 1,500,000,000 Shares and the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

### 3. Resolutions in writing of the Shareholders passed on 25 July 2018

Pursuant to the resolutions in writing passed by the Shareholders on 25 July 2018, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) our Company increased its authorised share capital from HK\$100,000 divided into 10,000,000 ordinary shares of par value of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each by the creation of 1,490,000,000 additional ordinary shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (i) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Share Offer, the Capitalisation Issue and the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme); (ii) the Price Determination Agreement having been executed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and becoming effective on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus:
  - (i) the Share Offer and the Adjustment Options were approved and our Directors were authorised to effect the same and to allot and issue Offer Shares pursuant to the Share Offer and any of the Adjustment Options;
  - (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise the sum of HK\$5,999,700 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,970,000 Shares for allotment and issue to the Shareholders whose names appear on the register of members or the principal share register of our Company at the close of business on 25 July 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;



- (iii) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with (otherwise than by way of rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) at any time, 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 shall not exceed 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued upon the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, specific authority granted by the Shareholders in general meeting or upon the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme. This general mandate to issue Shares will expire the earliest of:

- (aa) the conclusion of the next annual general meeting of our Company;
  - (bb) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws of the Cayman Islands or the Articles; or
  - (cc) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company.
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares of not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued upon the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme).

This mandate only relates to repurchase 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 which are in accordance with all applicable laws and regulations. This general mandate to repurchase Shares will expire the earliest of:

- (aa) the conclusion of the next annual general meeting of our Company;
- (bb) the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles; or
- (cc) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company.

The general unconditional mandate as mentioned in paragraph (iii) above was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above (up to 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, excluding any Shares which may be issued pursuant to the exercise of any of the Adjustment Options and options which may be granted under the Share Option Scheme); and

- (v) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “12. Share Option Scheme” in this appendix, were approved and adopted with effect from the Share Offer and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such actions as may be necessary, desirable or expedient to implement and give effect to the Share Option Scheme.

#### **4. Group reorganisation**

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing. Please see the section headed “History, Development and Reorganisation — Reorganisation” for further details.

#### **5. Changes in share capital of subsidiaries**

Our Company’s subsidiaries are referred to in note 25 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries. Save as disclosed in the section headed “History, Development and Reorganisation”, there have been no changes in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of our own securities**

##### ***(a) Provisions of the Listing Rules***

The Listing Rules permit companies whose primary listing are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

##### ***(i) Shareholders’ approval***

All proposed repurchase of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the resolutions in writing of the Shareholders passed on 25 July 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares 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 total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the date when the Repurchase Mandate is revoked or varied by an ordinary resolution of our shareholders in a general meeting.

*(ii) Trading restrictions*

Our Company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the total number of Shares in issue. Our Company may not issue or announce an issue of new securities for a period of 30 days immediately following a repurchase (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from making securities repurchase on the Stock Exchange if the repurchases would result in the number of the listed securities which are in hands of the public falling below the relevant prescribed minimum percentage for that company as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. In addition, as required by the prevailing requirements of the Listing Rules, our Company shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange.

*(iii) Status of repurchased securities*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Islands law, a company’s repurchased shares if not held by the company as treasury shares shall be treated as cancelled and the amount of the company’s issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

*(iv) Suspension of repurchase*

Our Company may not repurchase its securities on the Stock Exchange at any time after inside information has come to our knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for publication of an announcement of its results for any year or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules), our Company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if our Company has breached the Listing Rules.

*(v) Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares (whether on the Stock Exchange or otherwise). The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant, and confirmation that those purchases were made in accordance with the Listing Rules or the domestic rules applying to purchases on that other stock exchange, and there have been no material changes to the particulars contained in the explanatory statement for repurchase of Shares. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per Share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its brokers to ensure that they provide our Company in a timely manner the necessary information to enable our Company to make the report to the Stock Exchange.

*(vi) Core connected persons*

Our Company is prohibited from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective close associates, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

***(b) Exercise of the Repurchase Mandate***

On the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer and taking no account of any Share to be issued pursuant to the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

***(c) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to receive general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

***(d) Funding of repurchases***

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement of otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

There could be a material adverse impact on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate were to be exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

*(e) General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

No core connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

**FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****7. Summary of material contracts**




The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the share purchase agreement dated 30 March 2017 entered into between Mr. KT Chan and Mr. KM Chan as vendors and Century Success as purchaser pursuant to which Mr. KT Chan and Mr. KM Chan agreed to transfer 250,000 shares and 250,000 shares of Head Fame, respectively at a total consideration of HK\$41,000,000 which was satisfied by Century Success allotting and issuing 134 new ordinary shares and 134 new ordinary shares to Mr. KT Chan and Mr. KM Chan, respectively, all credited as fully paid;
- (b) the Pre-IPO Share Subscription Agreement dated 21 April 2017 entered into between Century Success and UG pursuant to which UG subscribed for 20 shares of par value US\$1.00 each in Century Success at a consideration of HK\$10,000,000;
- (c) the Pre-IPO Share Subscription Agreement dated 21 April 2017 entered into between Century Success and Vibrant Sound pursuant to which Vibrant Sound subscribed for 10 shares of par value US\$1.00 each in Century Success at a consideration of HK\$5,000,000;
- (d) the agreement for sale and purchase dated 28 November 2017 entered into between Mr. KT Chan, Mr. KM Chan, UG and Vibrant Sound, as vendors, and our Company, as purchaser, pursuant to which our Company agreed to acquire 135 ordinary shares, 135 ordinary shares, 20 ordinary shares and 10 ordinary shares of Century Success, representing all of its issued shares in aggregate, from Mr. KT Chan, Mr. KM Chan, UG and Vibrant Sound, respectively, which was satisfied by our Company allotting and issuing 26,999 Shares, 2,000 Shares and 1,000 Shares, credited as fully-paid, to Shiny Golden (at the instructions of Mr. KT Chan and Mr. KM Chan), UG and Vibrant Sound, respectively, and crediting as fully paid the one nil-paid Share held by Shiny Golden;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Public Offer Underwriting Agreement.

## 8. Intellectual property rights of our Group

## (a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks:

Trademark	Registered owner	Type and Class	Place of registration	Registration number	Registration date	Expiry date
	禧輝有限公司 HEAD FAME COMPANY LIMITED 禧輝有限公司 HEAD FAME COMPANY LIMITED	Head Fame Company Limited	Hong Kong	304048533	15 February 2017	14 February 2027
	禧輝有限公司 HEAD FAME COMPANY LTD. 禧輝有限公司 HEAD FAME COMPANY LTD.	Head Fame Company Limited	Hong Kong	304048542	15 February 2017	14 February 2027
	禧輝有限公司 HEAD FAME COMPANY LIMITED	Head Fame Company Limited	Hong Kong	304049343	16 February 2017	15 February 2027

## (b) Domain names

As at the Latest Practicable Date, we have registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
<a href="http://headfame.com.hk">headfame.com.hk</a>	Head Fame	11 April 2005	14 April 2021
<a href="http://goldenponder.com">goldenponder.com</a>	Head Fame	12 July 2018	12 July 2028



**FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS****9. Directors***(a) Particulars of Directors' service contracts*

Each of our executive Directors has entered into a service contract with our Company on 25 July 2018. Each service contract is for an initial term of three years commencing from the Listing Date and may be terminated by not less than three months' written notice served by either party on the other. Each of our executive Directors is entitled to a fixed basic annual salary of HK\$600,000 for his services. Our Board shall have a complete discretion to grant any increase in the salary. Any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is entitled to a discretionary management bonus for the financial year ending 31 March 2019 and onwards as may be determined by our Board at its absolute discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him/her.

Each of our independent non-executive Directors has signed a letter of appointment with our Company on 25 July 2018. Each letter of appointment is for an initial term of one year commencing from the Listing Date and may be terminated by not less than one month's written notice served by either party on the other. Each of our independent non-executive Directors is entitled to a fixed annual director's fee of HK\$180,000 for his services.

The service contracts and letters of appointments are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles and the Listing Rules, subject to retirement by rotation and re-election in accordance with the Articles.

Save as aforesaid, none of our Directors has entered, or is proposed to enter, a service contract or a letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

**(b) Remuneration of Directors**

- (i) The annual salaries of our executive Directors and the annual director's fees of our independent non-executive Directors are as follows:

<b>Name</b>	<b>Annual amount</b> (HK\$)
<i>Executive Directors</i>	
Mr. KT Chan (陳金棠)	600,000
Mr. KM Chan (陳金明)	600,000
<i>Independent non-executive Directors</i>	
Mr. Hau Wing Shing Vincent (侯穎承)	180,000
Mr. Szeto Cheong Mark (司徒昌)	180,000
Mr. Wan Simon (溫耀祥)	180,000

- (ii) For each of the three years ended 31 March 2018, the aggregate of the remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid to our executive Directors was approximately HK\$780,000, HK\$780,000 and HK\$1,362,000, respectively.
- (iii) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (including benefits in kind but excluding discretionary bonus) payable by our Group to our Directors for the year ending 31 March 2019, is expected to be approximately HK\$1,565,000.
- (iv) No amount was paid to our Directors as an inducement to join or upon joining our Company for each of the three years ended 31 March 2018.
- (v) No compensation was paid to our Directors for each of the three years ended 31 March 2018 for the 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.
- (vi) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2018.

(c) *Interests and short positions of Directors in the Shares, underlying Shares or debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature of interest	Number of Share(s)	Approximate percentage of shareholding
Mr. KT Chan ( <i>Note 1</i> )	Interest in a controlled corporation	540,000,000	67.5%
Mr. KM Chan ( <i>Note 1</i> )	Interest in a controlled corporation	540,000,000	67.5%

*Note:*

- Shiny Golden is beneficially owned as to 50% by Mr. KT Chan and 50% by Mr. KM Chan. On 26 May 2017, Mr. KT Chan and Mr. KM Chan entered into the Acting in Concert Confirmation to acknowledge and confirm, among other things, that they are parties acting in concert during the Track Record Period and that to continue to act in the same manner in our Group upon the Listing. For details, see “Relationship with Controlling Shareholders — Acting in Concert Confirmation”. By virtue of the SFO, Mr. KT Chan and Mr. KM Chan are deemed to be interested in all the Shares held by Shiny Golden.

(ii) *Long position in the ordinary shares of associated corporation*

Name	Name of associated corporation	Capacity/Nature of interest	Number of share(s)	Approximate percentage of shareholding
Mr. KT Chan	Shiny Golden ( <i>Note 1</i> )	Beneficial owner	1	50%
Mr. KM Chan	Shiny Golden ( <i>Note 1</i> )	Beneficial owner	1	50%

*Note:*

- Shiny Golden is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

**10. Substantial Shareholders**

So far as our Directors are aware, 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 of the Adjustment Options or options which may be granted under the Share Option Scheme), the following persons/entities (other than our Directors or chief executive of our Company) will have interests or short positions in the Shares or the 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 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 our Company or any of its subsidiaries:

<b>Name</b>	<b>Capacity</b>	<b>Number of Share(s)</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Shiny Golden	Beneficial Owner <i>(Note 2)</i>	540,000,000	67.5%
Ms. Shu Ah Ping	Interest of Spouse <i>(Note 3)</i>	540,000,000	67.5%
Ms. Ng Wing Mui	Interest of Spouse <i>(Note 4)</i>	540,000,000	67.5%
UG	Beneficial owner <i>(Note 5)</i>	40,000,000	5%
UG Capital Limited	Investment manager <i>(Note 6)</i>	40,000,000	5%

*Notes:*

- All interests stated are long positions.
- Shiny Golden is the direct Shareholder of our Company.
- Ms. Shu Ah Ping is the spouse of Mr. KT Chan. Accordingly, Ms. Shu Ah Ping is deemed or taken to be interested in the Shares Mr. KT Chan is interested in under the SFO.
- Ms. Ng Wing Mui is the spouse of Mr. KM Chan. Accordingly, Ms. Ng Wing Mui is deemed or taken to be interested in the Shares Mr. KM Chan is interested in under the SFO.
- UG is the direct Shareholder of our Company, which is legally owned as to one voting share by UG Capital Limited and 11,600 non-voting shares by other independent third parties.
- UG Capital Limited is the investment manager of UG. UG Capital Limited is deemed to be interested in all the Shares in which UG is interested by virtue of the SFO. UG Capital Limited is wholly-owned by Mr. Lau Chi Yin Thomas. To the best knowledge of our Directors, each of UG, UG Capital Limited and Mr. Lau Chi Yin Thomas is an independent third party.

**11. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in our 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, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) taking no account of any Shares to be issued upon exercise of any of the Adjustment Options or options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of the Directors or the experts named in the sub-paragraph headed “20. Qualifications and consents of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the sub-paragraph headed “20. Qualifications and consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the sub-paragraph headed “20. Qualifications and consents 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; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

**OTHER INFORMATION****12. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the resolutions in writing of the Shareholders passed on 25 July 2018.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 25 July 2018, the date on which the Share Option Scheme is conditionally adopted by our Company;
“Board”	means our Board from time to time or a duly authorised committee thereof;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its subsidiaries and any Invested Entity;
“Grantee”	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;
“Group”	means our Company and its subsidiaries from time to time and “member(s) of our Group” shall be construed accordingly;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	means in respect of any particular Option, the period during which such Option is exercisable as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;

- “Participant” means any person belonging to any of the following classes of participants:
- (a) any Eligible Employee;
  - (b) any non-executive Director (including independent non-executive Directors) of our Company, any of its subsidiaries or any Invested Entity;
  - (c) any supplier of goods or services to any member of our Group or any Invested Entity;
  - (d) any customer of any member of our Group or any Invested Entity;
  - (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
  - (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
  - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
  - (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group, and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and
- “Scheme Period” means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) *Purpose of Share Option Scheme*

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) *Grant of Options and acceptance of offer*

Subject to Share Option Scheme and the Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, Option(s) to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Grantee shall pay HK\$1.00 to our Company as consideration for the grant. The Option(s) will be offered for acceptance for a period of 21 days from the date of the offer.

(c) *Restriction on grant of Option*

No offer of grant of Options shall be made after any inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of the results of our Company for any year, half-year or quarterly period (if applicable) or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly (if applicable) or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no Option(s) may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any Option(s) to a Participant who is a Director during the periods or times in which such Director is prohibited from dealing in the Shares prescribed by Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Option(s) which would result in the total number of Shares already issued and to be issued upon the exercise of all the Options granted to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period exceeding 1% of the total number of Shares in issue, provided that if separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Option(s) to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued and to be issued upon the exercise of all the Options granted to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such Further Grant exceeding 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of such Participant, the number and terms of the Option(s) to be granted and



Option(s) previously granted to such Participant and all the information and disclaimer required under the Listing Rules. The number and terms (including the subscription price) of the Option(s) to be granted to such Participant must be fixed before the Shareholders' approval and the date of the meeting of our Board for proposing such Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Option(s) to a Participant, a Grantee is not required to achieve any performance target before any Option(s) granted under the Share Option Scheme can be exercised.

*(d) Price of Shares*

The subscription price for the Shares in respect of any particular Option(s) shall, subject to any adjustment made pursuant to the terms of the Share Option Scheme, be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option(s) but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option(s), which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of the grant of the Option(s); and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five Business Days preceding the date of the grant of the Option(s), the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any Business Day falling within the period before the Shares are listed on the Stock Exchange.

*(e) Maximum amount of Shares*

- (i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Option(s) which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the total number of the Shares in issue on the Listing Date. On the basis of 800,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a 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, in aggregate under the limit as "refreshed" must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the limit. Option(s) previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes) will not be counted for the purpose of calculating the refreshed limit. Our Company must send a circular to its Shareholders containing the information and disclaimer required under the Listing Rules.

- (iii) Our Company may also grant Option(s) beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to our Shareholders containing a generic description of the specified Grantee(s) who may be granted such Option(s), the number and terms of such Option(s) to be granted, the purpose of granting such Option(s), an explanation as to how the terms of the Option(s) serve such purpose and the information and disclaimer required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company must not grant any options if 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 schemes of our Company, would exceed 30% of the Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other scheme of our Company if such grant will result in this 30% limit being exceeded.
- (v) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the 10% limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

*(f) Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option(s) shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of Option(s).

*(g) Rights are personal to the Grantees*

An Option shall be personal to the Grantees and shall not be assignable or transferable and no Grantees shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or enter into any agreement so to do. Where the Grantee is a company, any change of its major shareholder or any substantial change in its management as determined by our Board in its sole discretion will be deemed to be a sale or transfer of the Option as aforesaid, if so determined by our Board at its sole discretion. Any breach of the foregoing by the Grantees shall entitle us to cancel any outstanding Option or part thereof granted to such Grantees (to the extent not already exercised) without incurring any liability on our Company.

*(h) Rights on death*

If a Grantee dies before exercising the Option(s) in full, his legal personal representative(s) may exercise the Option(s) in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death (or such longer period as the Board may determine).

*(i) Changes in capital structure*

In the event of any alteration in the capital structure of our Company whilst any Option(s) remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation or subdivision of Shares or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) certified or confirmed in writing to our Board by the auditors for the time being of or an independent financial advisor to our Company in their opinion as fair and reasonable shall be made to:

- (i) the number or nominal amount of Shares subject to the Option(s) so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the Option(s); and/or
- (iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Any alteration 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 alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option(s) shall remain as close as possible (but shall not be greater than) as it was before such event; (2) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and (3) no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction. In addition, in respect of any such alteration, other than any adjustment made on a capitalization issue, our Company's auditors or independent financial advisor must certify or confirm to our Board in writing that the alteration satisfies the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the Participants. The costs of our independent financial advisers and the auditors shall be borne by us.

(j) *Rights on take-over*

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Option(s) granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option(s) (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option(s) at any time within 14 days after the date on which such offer becomes or is declared unconditional.

(k) *Rights on a compromise or arrangement*

- (i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it dispatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and such Grantee's legal personal representative(s)) shall be entitled to exercise all or any of such Grantee's Options (to the extent which has become exercisable and 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 us, 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 we 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 and issue the relevant Shares to the Grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.
- (ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the restructuring, reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above such Grantee's legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise such Grantee's Options (to the extent which has become exercisable and not already exercised), but the exercise of the Options shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such

Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of such Grantee's Options so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

*(l) Rights of Grantee ceasing to be a Participant*

In the event of the Grantee ceases to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub-paragraph (m)(v) below, then, if the Option Period has not at the date of such cessation commenced, the Option(s) shall lapse; and if the Option Period has commenced, the Grantee may exercise the Option(s) in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

*(m) Lapse of Option*

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);
- (ii) the expiry of any periods referred to in sub-paragraphs (h) and (l);
- (iii) the date on which the offer (or the case may be, revised offer) referred to in sub-paragraph (j) above closes;
- (iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;
- (v) the date on which the Grantee ceases to be Eligible Employee by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under such Grantee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;
- (vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;

- (vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or
- (viii) if our Directors at their absolute discretion determine that the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, our Directors shall determine that the outstanding Option(s) granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Option(s) will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

*(n) Ranking of Shares*

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company 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 before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is reopened. Any Share allotted and issued upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

*(o) Cancellation of Options granted*

Any cancellation of Option(s) granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Option(s) and issue new ones to the same Grantee, the issue of such new Option(s) may only be made under a scheme with available unissued Option(s) (excluding cancelled Option(s)) within the limit approved by the Shareholders.

*(p) The Scheme Period*

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

*(q) Alteration and termination of Share Option Scheme*

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants except (i) with the approval of our Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Option(s) granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms and conditions of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the terms and conditions of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration takes effect automatically under the existing terms and conditions of the Share Option Scheme.

The amended terms of the Share Option Scheme or the option(s) must still comply with the relevant requirements of Chapter 17 of the Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any Option(s) granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Option(s) in respect of not less than three-fourths in nominal value of all Shares then subject to Option(s) granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option(s) will be offered. On termination, the provision(s) of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Option(s) (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Option(s) (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(r) Granting of Option to a Director, chief executive of our Company or substantial shareholder or any of their associates*

Where Option(s) are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 17.04(1) of the Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option(s)).

If a grant of Option(s) to a substantial shareholder or an independent non-executive Director or any of their respective associates will result in the Shares issued and to be issued upon exercise of all Options granted and to be granted (including exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million,

then such further grant of Option(s) must be approved by the Shareholders in a general meeting. At such general meeting, the Grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against such further grant and provided that such intention to do so has been stated in the circular that our Company will send out. Our Company must send to our Shareholders containing all the information required under Rule 17.04(3) of the Listing Rules.

In addition, any change in the terms of the Option(s) granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an Option to a Director or chief executive of our Company set out in Rules 17.04(1), (2) and (3) of the Listing Rules shall not apply where the proposed Grantee is only a proposed Director or proposed chief executive of our Company.

*(s) Conditions of Share Option Scheme*

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Option(s) granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no Option(s) had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Option(s) under Share Option Scheme and the approval for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Option(s) granted under the Share Option Scheme.



**13. Tax and other indemnities**

Mr. KT Chan, Mr. KM Chan and Shiny Golden (collectively the “**Indemnifiers**”) have entered into the Deed of Indemnity, on a joint and several basis, to provide indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;
- (b) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (c) all reasonable costs (including all legal costs), expenses, interests, charges, penalties or other liabilities which any member of our Group may properly incur at any time on or before the Listing Date in connection with:
  - (i) the investigation, assessment or contesting of any claim under (b) above;
  - (ii) the settlement of any claim under the Deed of Indemnity;
  - (iii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgement, award or decision is given in favour of any member of our Group; or
  - (iv) the enforcement of any such settlement or decision or judgment or award;
- (d) any and all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group, directly or indirectly, as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the Listing Date, including but not limited to our Group’s non-compliance matters occurred on or before the Listing Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liabilities or claims mentioned in the four paragraphs immediately above where:

- (a) to the extent that provision has been made for such taxation or claims in the audited accounts of any member of our Group up to 31 March 2018;
- (b) to the extent that such taxation falling on any of the members of our Group in respect of any accounting period commencing on or after 1 April 2018 and ending on the Listing Date, unless such taxation or liability would not have arisen but for some act, omission or transactions voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the Listing Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date or pursuant to any statement of intention made in this prospectus;
- (c) to the extent that such taxation arises or are incurred as a result of the imposition of taxation or claim as a consequence of any retrospective change in the law or the interpretation or practice thereof by any relevant authority (whether in Hong Kong or any part of the world) coming into force after the Listing Date or to the extent such tax or claim arises or is increased by an increase in rates of taxation or the amount of claim after the Listing Date with retrospective effect;
- (d) to the extent that such taxation is discharged prior to the Listing Date by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation; or
- (e) to the extent that any provision or reserve made for taxation in the audited accounts referred to in sub-paragraph (a) immediately above which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

#### **14. Litigation**

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Litigation and potential claims" in this prospectus, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

**15. Agency fees or commissions received**

Save as disclosed in the section headed “Underwriting — Commissions and expenses” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the three years immediately preceding the date of this prospectus.

**16. Sponsor**

The Sponsor has made an application for and on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; (b) the exercise of any of the Adjustment Options; and (c) the exercise of options which may be granted under the Share Option Scheme. The Sponsor is entitled to sponsor’s fee in the amount of HK\$4.8 million.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

**17. Compliance adviser**

In accordance with the requirements of the Listing Rules, our Company has appointed Dakin Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year ending 31 March 2020.

**18. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately USD4,300 (equivalent to approximately HK\$33,540) and are payable by our Company.

**19. Promoters**

Our Company has no promoter. Within the three years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given, or proposed to be paid, allotted or given, to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

**20. Qualifications and consents of experts**

The following are the qualifications of the experts who have given opinions or advice (as the case may be) which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Dakin Capital Limited	A licensed corporation for carrying on Type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified public accountants
BDO Tax Limited	Hong Kong tax adviser
Appleby	Cayman Islands legal advisers to our Company
RSM Consulting (Hong Kong) Limited	Internal control consultant
Mr. Chan Chung	Barrister-at-law in Hong Kong
Ipsos Limited	Industry research consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

**21. 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**22. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**23. Taxation of holders of Shares****(a) Hong Kong****(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

**(ii) Stamp duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase of the Shares and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

**(iii) Estate duty**

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

**(b) The Cayman Islands**

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

**(c) Consultation with professional advisers**

Intended holders of the 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 the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept

responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

#### 24. Miscellaneous

- (a) Save as disclosed in this prospectus,
  - (i) within the two years immediately preceding the date of this prospectus:
    - (aa) no share or loan capital of our Company or of any of its subsidiaries had been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
    - (bb) no share, warrant or loan capital of our Company or any of its subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;
  - (ii) our Company has no outstanding convertible debt securities or debentures; and
  - (iii) no founder, management or deferred shares or any debentures (including convertible bonds) of our Company or any of its subsidiaries have been issued or agreed to be issued;
- (b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (c) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (d) None of the equity and debt securities of any member of our Group is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (e) There are no arrangements under which future dividends are waived or agreed to be waived; and
- (f) Subject to the provisions of the Companies Law and the Articles, the principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Board otherwise agrees, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our Company's Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS; and
- (g) The English version of this prospectus shall prevail over the Chinese version.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- i. copies of **White** and **Yellow** Application Forms;
- ii. the written consents referred to in the section headed “Statutory and General Information — Other information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- iii. a copy of each of the material contracts referred to in the section headed “Statutory and General Information — Further information about the business of our group — 7. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Guantao & Chow Solicitors and Notaries, Suites 1604–6, 16/F, ICBC Tower, 3 Garden 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 prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the Track Record Period;
- (d) the report on unaudited pro forma financial information of our Group issued by BDO Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the industry report prepared by Ipsos Limited referred to in the section headed “Industry Overview”;
- (f) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinions dated the date of this prospectus issued by Mr. Chan Chung, our Hong Kong Legal Counsel;
- (i) the tax opinion prepared by BDO Tax Limited;
- (j) the report on internal control review prepared by RSM Consulting (Hong Kong) Limited;

- (k) the service contracts and letters of appointment referred to in the section headed “Further Information about our Directors, Substantial Shareholders and Experts — 9. Directors — (a) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme referred to in the section headed “Other Information — 12. Share Option Scheme” in Appendix IV to this prospectus;
- (m) the material contracts referred to in the section headed “Further Information about the Business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus; and
- (n) the written consents referred to in the section headed “Other Information — 20. Qualifications and consents of experts” in Appendix IV to this prospectus.



Golden Ponder Holdings Limited  
金倫控股有限公司