



Shing Chi Holdings Limited 成志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1741

SHARE OFFER

Sponsor, Bookrunner and Lead Manager

FRONTPAGE 富比

IMPORTANT

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

SHING CHI HOLDINGS LIMITED

成志控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$0.675 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1741

Sponsor, Bookrunner and Lead Manager

FRONTPAGE 富比

Frontpage Capital Limited

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

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

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

The Offer Price is expected to be determined by agreement between our Company and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 8 October 2018. The Offer Price will be not more than HK\$0.675 per Offer Share and is expected to be not less than HK\$0.625 per Offer Share, unless otherwise announced. If our Company and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date (or such later date as may be agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters) but in any event not later than Friday, 12 October 2018), the Share Offer will not proceed and will lapse immediately. In such case, an announcement will be made immediately by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.shingchiholdings.com. The Lead Manager (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.shingchiholdings.com not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares are subject to termination by the Lead Manager (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

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

28 September 2018

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at www.shingchiholdings.com⁽⁶⁾ and the Stock Exchange at www.hkexnews.hk.

2018

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

Application Forms available from 9:00 a.m. on Friday, 28 September

Latest time for completing electronic applications

under **HK eIPO White Form** service through
the designated website at www.hkeipo.hk⁽²⁾ ⁽³⁾ 11:30 a.m. on Friday, 5 October

Application lists for Public Offer open⁽²⁾ 11:45 a.m. on Friday, 5 October

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

Application Forms 12:00 noon on Friday, 5 October

Latest time for giving **electronic application**

instructions to HKSCC⁽⁵⁾ 12:00 noon on Friday, 5 October

Latest time for completing payment of **HK eIPO**

White Form applications by effecting Internet banking
transfer(s) or PPS payment transfer(s) 12:00 noon on Friday, 5 October

Application lists for Public Offer close⁽²⁾ 12:00 noon on Friday, 5 October

Expected Price Determination Date⁽⁴⁾ Monday, 8 October

Announcement of the final Offer Price, the level of

indication of interest in the Placing, the level of
application in the Public Offer and the basis of
allocation of the Public Offer Shares to be published
on the website of our Company at www.shingchiholdings.com⁽⁶⁾ and
on the website of the Stock Exchange
at www.hkexnews.hk on or before Monday, 15 October

Announcement of results of allocation under the

Public Offer (with successful applicants' identification
document or business registration numbers, where appropriate)
to be available through a variety of channels as described
in the section headed "How to Apply for the Public Offer Shares –
11. Publication of results" in this prospectus including the website
of our Company at www.shingchiholdings.com⁽⁶⁾ and the
website of the Stock Exchange at www.hkexnews.hk from Monday, 15 October

Results of allocation in the Public Offer will be available

at www.tricor.com.hk/ipo/result with a "search by ID"
function from Monday, 15 October

EXPECTED TIMETABLE⁽¹⁾

Despatch/Collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁷⁾⁽⁹⁾ Monday, 15 October

Despatch/Collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or about⁽⁸⁾⁽⁹⁾ Monday, 15 October

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Tuesday, 16 October

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 October 2018, the application lists will not open on that day. For further details, please refer to the section headed “How to Apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
3. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
4. The Price Determination Date is expected to be on or around Monday, 8 October 2018 and, in any event, not later than Friday, 12 October 2018. If, for any reason, the Offer Price is not agreed between the Lead Manager (for itself and on behalf of the Underwriters) and our Company by Friday, 12 October 2018, the Share Offer will not proceed and will lapse immediately.
5. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
6. None of the website or any of the information contained on the website forms part of this prospectus.
7. Share certificates will only become valid at 8:00 a.m. on Tuesday, 16 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
8. Refund cheques/e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.

EXPECTED TIMETABLE⁽¹⁾

9. Applicants who apply on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 15 October 2018 or such other date as notified by our Company. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection.

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

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

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

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

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer. Information contained in our Company's website, located at www.shingchiholdings.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety, and should be read in conjunction with the full text of this prospectus. Information contained in our website, located at www.shingchiholdings.com, does not form part of this prospectus. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

OUR BUSINESS

Overview

We are a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, and alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. We are able to undertake construction works as either a main contractor or a subcontractor. Besides construction, we also provide construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

The following tables set forth a breakdown of our revenue by types of works and services, by sectors and by our roles as main contractor, subcontractor or consultant during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue	% of	Revenue	% of	Revenue	% of	Revenue	% of	Revenue	% of
	HK\$'000	total	HK\$'000	total	HK\$'000	total	HK\$'000	total	HK\$'000	total
		revenue		revenue		revenue		revenue		revenue
Construction										
Foundation and site formation works	148,981	38.2	252,447	59.1	131,784	36.7	81,605	44.9	63,902	33.8
General building works and associated services	186,494	47.8	137,488	32.2	172,538	48.0	74,389	40.9	79,664	42.1
Other construction works	44,622	11.4	25,313	5.9	40,647	11.3	20,185	11.1	40,631	21.4
	380,097	97.4	415,248	97.2	344,969	96.0	176,179	96.9	184,197	97.3
Consultancy	10,326	2.6	11,703	2.8	14,342	4.0	5,640	3.1	5,036	2.7
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

SUMMARY

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Private sector	284,201	72.8	265,292	62.1	187,329	52.1	109,236	60.1	157,460	83.2
Public sector	106,222	27.2	161,659	37.9	171,982	47.9	72,583	39.9	31,773	16.8
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Main contractor	281,574	72.2	257,515	60.3	182,777	50.9	106,298	58.5	158,401	83.7
Subcontractor	98,523	25.2	157,733	36.9	162,192	45.1	69,881	38.4	25,796	13.6
Consultant	10,326	2.6	11,703	2.8	14,342	4.0	5,640	3.1	5,036	2.7
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

During the Track Record Period and up to the Latest Practicable Date, we had completed over 100 construction projects with an aggregate contract sum of approximately HK\$971.0 million. As at the Latest Practicable Date, we have 34 construction projects on hand (including projects in progress and projects yet to commence) with a total contract sum of approximately HK\$1,161.2 million, out of which approximately HK\$557.0 million have been recognised as our revenue during the Track Record Period. For further details of our construction projects, please refer to the section headed “Business – Our construction projects” in this prospectus.

Projects backlog

As at 30 September 2015, 2016 and 2017 and the Latest Practicable Date, we had a total of 30, 34, 35 and 34 projects in our backlog (including projects in progress and projects yet to commence), respectively, and the amount of revenue derived or expected to be derived from such projects are set out as follows:

SUMMARY

	As at 30 September 2015	As at 30 September 2016	As at 30 September 2017	As at the Latest Practicable Date
Number of projects in our backlog	30	34	35	34
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total contract sum in respect of such projects (<i>Note</i>)	1,057,789	1,004,756	993,247	1,161,195
	30 September 2015	30 September 2016	30 September 2017	31 March 2018
Total revenue attributable to such projects:				
– recognised on or before the date indicated	457,141	397,527	431,373	557,041
– yet to be recognised as at the date indicated	<u>600,648</u>	<u>607,229</u>	<u>561,874</u>	<u>604,154</u>
	<u><u>1,057,789</u></u>	<u><u>1,004,756</u></u>	<u><u>993,247</u></u>	<u><u>1,161,195</u></u>

Note: The total contract sum in respect of each contract represents the awarded contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation and additional works as instructed by our customers, and other updated information provided by our customers.

Cost of sales

The following table sets forth the components of our cost of sales by amount and as a percentage of our total cost of sales during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Cost of sales										
Subcontracting charges	300,978	84.7	302,945	77.5	252,425	79.3	130,613	80.0	146,282	87.5
Costs of construction materials	32,146	9.0	58,370	14.9	31,894	10.0	16,565	10.2	8,422	5.0
Staff costs, including directors' emoluments	14,620	4.1	20,478	5.3	20,014	6.3	11,102	6.8	4,816	2.9
Others	<u>7,769</u>	<u>2.2</u>	<u>9,004</u>	<u>2.3</u>	<u>14,018</u>	<u>4.4</u>	<u>4,892</u>	<u>3.0</u>	<u>7,662</u>	<u>4.6</u>
	<u><u>355,513</u></u>	<u><u>100.0</u></u>	<u><u>390,797</u></u>	<u><u>100.0</u></u>	<u><u>318,351</u></u>	<u><u>100.0</u></u>	<u><u>163,172</u></u>	<u><u>100.0</u></u>	<u><u>167,182</u></u>	<u><u>100.0</u></u>

SUMMARY

Our cost of sales mainly includes (i) subcontracting charges; (ii) costs of construction materials; and (iii) staff costs. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the aggregate of subcontracting charges, costs of construction materials and staff costs represented approximately 97.8%, 97.7%, 95.6% and 95.4% of our total cost of sales, respectively. For details of our cost structure and the period-to-period comparison of our cost of sales during the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by types of works and services during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Construction										
Foundation and site formation works	8,486	5.7	13,038	5.2	13,282	10.2	6,548	8.0	9,760	15.3
General building works and associated services	13,725	7.4	11,456	8.3	9,873	5.7	5,046	6.8	8,028	10.1
Other construction works	<u>7,388</u>	16.6	<u>5,910</u>	23.3	<u>9,348</u>	23.0	<u>4,344</u>	21.5	<u>2,432</u>	6.0
	29,599	7.8	30,404	7.3	32,503	9.4	15,938	9.0	20,220	11.0
Consultancy	<u>5,311</u>	51.4	<u>5,750</u>	49.1	<u>8,457</u>	59.0	<u>2,709</u>	48.0	<u>1,831</u>	36.4
	<u>34,910</u>	8.9	<u>36,154</u>	8.5	<u>40,960</u>	11.4	<u>18,647</u>	10.3	<u>22,051</u>	11.7

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of projects that were undertaken by our Group; (ii) the progress of such projects during the relevant financial year; and (iii) our cost control and management.

Our customers

Our customers are primarily property developers or project owners, Government departments or statutory bodies and other construction contractors in Hong Kong. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the total revenue attributable to our five largest customers amounted to approximately HK\$291.0 million, HK\$288.5 million, HK\$257.6 million and HK\$156.9 million, representing approximately 74.6%, 67.6%, 71.7% and 82.9% of our total revenue, respectively. For the same periods, the total revenue attributable to our largest customer amounted to approximately HK\$91.3 million, HK\$141.0 million, HK\$140.9 million and HK\$69.8 million, representing approximately 23.4%, 33.0%, 39.2% and 36.9% of our total revenue, respectively.

SUMMARY

During the Track Record Period, our major contracts were generally obtained through tendering or secured by quotation submission. The following table sets out the number of tenders or quotations submitted, the number of construction projects awarded to our Group, and our success rate during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 30 September			From 1 October 2017 and up to the Latest Practicable Date
	2015	2016	2017	
Total number of tenders/ quotations submitted	129	154	121	156
Total number of projects won	38	40	38	47
Success rate	29.5%	26.0%	31.4%	30.1%

Please refer to the section headed “Business – Business model and our operation” in this prospectus for further details on the fluctuations in our success rate during the Track Record Period.

Our suppliers

Our suppliers primarily supply construction materials including steel, concrete and rockfall/debris flow protection barriers, and provide services such as machinery rental and insurance to us. For details of our suppliers, please refer to the section headed “Business – Our suppliers and subcontractors” in this prospectus.

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

Our subcontractors

In line with the usual practice of the construction industry in Hong Kong, we engage third party subcontractors to perform various parts of the works under our contracts to increase our cost efficiency and flexibility, instead of maintaining a pool of skilled labour for our construction works. During the Track Record Period, for our construction projects, we mainly focused on the overall management of the projects, and we delegated to and coordinated with our subcontractors to perform the relevant construction works under our supervision and quality control.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the total subcontracting charges incurred by our Group amounted to approximately HK\$301.0 million, HK\$302.9 million, HK\$252.4 million and HK\$146.3 million, respectively. For details, please refer to the section headed “Business – Our suppliers and subcontractors – Subcontracting” in this prospectus.

SUMMARY

COMPETITIVE STRENGTHS

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

- we have established reputation and a proven track record;
- we possess a wide range of qualifications to undertake a range of construction projects in the public and private sectors;
- we have an experienced and professional management team; and
- we have the design capability to undertake design and build contracts and provide design consultancy services.

For further details, please refer to the section headed “Business – Our competitive strengths” in this prospectus.

BUSINESS STRATEGIES

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

- apply for additional licences and capture more sizeable projects;
- strengthen our financial capacity and expand our market share; and
- strengthen our manpower and enhance our project management capability.

For further details, please refer to the section headed “Business – Business strategies” in this prospectus.

RISK FACTORS

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

- our revenue mainly relies on successful tenders of or acceptance of our quotations for construction projects which are non-recurring in nature and any failure of our Group to secure projects from our existing customers and/or new customers in the future would affect our business operation and financial results;
- we have recorded negative operating cash flows for the six months ended 31 March 2017 and 2018;

SUMMARY

- a significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results;
- we rely substantially on our subcontractors to help complete our projects;
- we depend on our key management personnel with relevant knowledge, experience and expertise; and
- we determine the price of our quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting our operations and financial results.

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 in relation to work injuries, details of which are set out in the section headed “Business – Legal proceedings and potential claims” in this prospectus.

LEGAL AND REGULATORY COMPLIANCE

Our Directors have confirmed that we had no material non-compliance of applicable laws and regulations in Hong Kong that would materially affect our Group’s operation and financial position during the Track Record Period and up to the Latest Practicable Date.

SHAREHOLDERS INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), Dr. CW Lau, Mr. CM Lau, and Dr. CK Lau through Elite Bright will own 75% of our Company’s issued share capital. For the purpose of the Listing Rules, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (an investment holding company owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares) are a group of Controlling Shareholders.

CONNECTED TRANSACTIONS

We have entered into the Hip Shing Framework Agreement on 10 September 2018 with Hip Shing for a term from the Listing Date and ending on 30 September 2019, pursuant to which Hip Shing has agreed to provide project management services in the capacity of a subcontractor. The transactions contemplated under the Hip Shing Framework Agreement will be subject to the reporting, annual review and announcement requirements under 14A.35 and 14A.49 of the Listing Rules. For details of the abovementioned continuing connected transactions, please refer to the section headed “Connected Transactions” in this prospectus.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

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

	For the year ended 30 September			For the six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	390,423	426,951	359,311	181,819	189,233
Gross profit	34,910	36,154	40,960	18,647	22,051
Profit and total comprehensive income attributable to owners of our Company	23,807	20,350	23,677	9,893	930

Our revenue increased by approximately HK\$36.6 million, or 9.4%, from approximately HK\$390.4 million for the year ended 30 September 2015 to approximately HK\$427.0 million for the year ended 30 September 2016, mainly due to the increase in works undertaken in our sizeable projects, including the construction of organic waste treatment facilities at Lantau Island (Project P00424) in 2016. Our revenue decreased by approximately HK\$67.7 million, or 15.9%, from approximately HK\$427.0 million for the year ended 30 September 2016 to approximately HK\$359.3 million for the year ended 30 September 2017, mainly due to (i) a substantial amount of construction works were carried out and completed for a number of sizeable projects during 2016, and therefore, we derived a lower amount of revenue due to our actual works progress under the relevant contracts for the year ended 30 September 2017; and (ii) during the year ended 30 September 2017, a number of our sizeable projects, including the school redevelopment at Kowloon (Project 1506) and the composite development at Cheung Sha Wan (Project P00488), were at an early or initial startup stage resulting in lesser actual work done. Our revenue increased by approximately HK\$7.4 million, or 4.1%, from approximately HK\$181.8 million for the six months ended 31 March 2017 to approximately HK\$189.2 million for the six months ended 31 March 2018, mainly due to the increase in works undertaken for Project 1506 and Project P00488.

Our gross profit increased by approximately HK\$1.3 million, or 3.7%, from approximately HK\$34.9 million for the year ended 30 September 2015 to approximately HK\$36.2 million for the year ended 30 September 2016, mainly attributable to the increase in revenue from our construction works. Our gross profit increased further by approximately HK\$4.8 million, or 13.3%, to approximately HK\$41.0 million for the year ended 30 September 2017, primarily attributable to the increase in gross profit margin for our foundation and site formation works and our consultancy services. Our gross profit increased by approximately HK\$3.5 million, or 18.8%, from approximately HK\$18.6 million for the six months ended 31 March 2017 to approximately HK\$22.1 million for the six months ended 31 March 2018, mainly due to the increase in revenue contribution from Project 1506 which was of relatively higher gross profit margin.

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For details of the period-to-period comparison of our revenue and gross profit, please refer to the section headed “Financial Information – Period to period comparison of results of operations” in this prospectus.

Highlights of combined statements of financial position

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets	1,171	1,237	943	4,033
Current assets	143,011	205,062	210,286	236,292
Current liabilities	96,476	130,201	114,164	142,226
Net current assets	46,535	74,861	96,122	94,066
Net assets	47,477	75,951	96,960	98,014

As at 30 September 2015, 2016 and 2017 and 31 March 2018, we recorded net current assets of approximately HK\$46.5 million, HK\$74.9 million, HK\$96.1 million and HK\$94.1 million, respectively. The increase in our net current assets was generally in line with the profit generated over the Track Record Period which enhanced our net current assets base. For details of our combined statements of financial position items, please refer to the section headed “Financial Information” in this prospectus.

Highlights of combined statements of cash flows

	For the year ended			For the six months	
	30 September			ended 31 March	
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	14,185	63,791	8,020	(8,761)	(26,112)
Net cash (used in)/generated from investing activities	(2,125)	(6,796)	2,370	(1,315)	(933)
Net cash generated from/(used in) financing activities	1,413	7,586	(3,514)	(32)	(132)
Net increase/(decrease) in cash and cash equivalents	13,473	64,581	6,876	(10,108)	(27,177)

For the years ended 30 September 2015, 2016 and 2017, our net cash generated from operating activities was approximately HK\$14.2 million, HK\$63.8 million and HK\$8.0 million, respectively. Such fluctuation was mainly due to the deposit of approximately

SUMMARY

HK\$41.2 million received from our customer in 2016 for Project 1506 which would be gradually deducted from us as a partial settlement in each payment certificate over the project period. The receipt of the aforementioned deposit has resulted in an increase in operating cash inflow for 2016 and a decrease in operating cash inflow for 2017. For the six months ended 31 March 2018, we recorded net cash used in operating activities amounted to approximately HK\$26.1 million, mainly due to the increase in trade receivables for Project 1506 and the increase in amounts due from customers for contract works arising from substantial value of construction works completed near the period ended 31 March 2018. For details of our cash flows, please refer to the section headed “Financial Information – Liquidity and capital resources – Cash flows” in this prospectus.

Summary of key financial ratios

The following table sets forth our key financial ratios during the Track Record Period:

	For the year ended or as at 30 September			For the six months ended or as at 31 March
	2015	2016	2017	2018
Profitability ratios				
Gross profit margin	8.9%	8.5%	11.4%	11.7%
Net profit margin	6.2%	4.8%	6.7%	0.6%
Return on equity	51.5%	27.3%	24.8%	1.9%
Return on total assets	16.7%	9.9%	11.4%	0.9%
Liquidity ratios				
Current/Quick ratio	1.5 times	1.6 times	1.8 times	1.7 times
Capital adequacy ratios				
Interest coverage ratio	3,198.7 times	4,067.5 times	9,637.7 times	3,502.0 times
Gearing ratio (<i>Note</i>)	0.3%	0.1%	0.0%	2.7%

Note: Gearing ratio is calculated based on the total debt (summation of borrowings, obligations under finance leases and amount due to a related party) as at the end of the respective year/period divided by total equity as at the end of the respective year/period and multiplied by 100%.

Please refer to the section headed “Financial Information – Summary of key financial ratios” for further details on our financial ratios during the Track Record Period.

MARKET POSITION

According to the Ipsos Report, our Group accounted for approximately 0.6% and 0.1% of the total market share of the foundation and site formation industry and the general building works industry in Hong Kong for 2017 in terms of revenue, respectively. For details of the competitive landscape of the foundation and site formation industry and the general building works industry and the market positioning of our Group, please refer to the section headed “Industry Overview” in this prospectus.

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LISTING EXPENSES

Our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK\$0.65 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing expenses in relation to the Share Offer are approximately HK\$36.0 million, without taking into account any discretionary incentive fees, of which approximately HK\$15.6 million is directly attributable to the issue of Offer Shares and will be capitalised and deducted from equity upon Listing, approximately HK\$1.4 million and HK\$10.9 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 30 September 2017 and the six months ended 31 March 2018 respectively, and approximately HK\$8.1 million is expected to be incurred after the Track Record Period. These Listing expenses mainly comprised of underwriting commission and professional fees paid and payable to the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, the legal advisers and the reporting accountants for their services rendered in relation to the Share Offer.

RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking construction works and consultancy services in Hong Kong. As at the Latest Practicable Date, we had 34 construction projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$1,161.2 million of which approximately HK\$557.0 million of revenue has been recognised during the Track Record Period, and approximately HK\$403.5 million is expected to be recognised for the year ending 30 September 2018 based on the latest project schedules. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Our construction projects” for details.

Following the Track Record Period, we have been continuously approached by customers for submitting tenders or quotations for new projects, and we have submitted 156 tenders or quotations with aggregate tender or quotation sum of approximately HK\$1,302.2 million up to the Latest Practicable Date, out of which we are still awaiting results for 54 tenders or quotations with an aggregate contract sum of over HK\$492 million. In this regard, our Directors have been cautiously optimistic in preparing our tenders or quotations with an aim to expand our business.

On 14 September 2018, members of our Group declared dividends to their then shareholder in the sum of approximately HK\$15.1 million.

Our results of operations for the year ending 30 September 2018 are expected to be materially affected by the listing expenses as disclosed in the section headed “Financial Information – Listing expenses” in this prospectus. Due to the impact of the listing expenses, our Directors expect the net profit of our Group for the year ending 30 September 2018 will decrease as compared with that for the year ended 30 September 2017.

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MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the listing expenses, there had been no material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.65 per Offer Share (being the mid-point of the Offer Price range of HK\$0.625 to HK\$0.675 per Offer Share), after deduction of underwriting fees and commissions and estimated expenses in connection with the Share Offer, will be approximately HK\$94.0 million. We intend to apply the net proceeds as follows:

- approximately HK\$42.8 million, or 45.5% of the net proceeds will be used to apply for additional licences to capture the growing business opportunities in the public sector;
- approximately HK\$23.7 million, or 25.2% of the net proceeds will be used for financing the working capital requirement and upfront costs at the early stages of three projects;
- approximately HK\$15.1 million, or 16.1% of the net proceeds will be used for further strengthening our manpower;
- approximately HK\$3.0 million, or 3.2% of the net proceeds will be used for the investment in the new information system to enhance our operational efficiency; and
- approximately HK\$9.4 million, or 10.0% of the net proceeds will be used as our Group's general working capital.

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

DIVIDENDS AND DISTRIBUTIVE RESERVES

During the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, members of our Group have declared dividends in aggregate of approximately HK\$150,000, HK\$450,000, HK\$3.0 million and nil to their then shareholders, respectively. All of such dividends have been fully paid during the Track Record Period and such payments were financed by our internal resources.

On 14 September 2018, members of our Group declared dividends to their then shareholder in the sum of approximately HK\$15.1 million of which approximately HK\$15.0 million was set off against the amounts due from directors and approximately HK\$0.1 million will be settled by cash by internal resources before Listing, which is expected to be

SUMMARY

on 16 October 2018. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group will continue to maintain net current assets and net assets position after such payment.

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. Our declaration of dividends, in the future, if any, will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. It is also subject to the approval of our Shareholders as well as the constitution of our Company. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy.

SHARE OFFER STATISTICS

Market capitalisation at Listing <i>(Note 1)</i>	:	HK\$500.0 million to HK\$540.0 million
Offer size	:	25% of the enlarged issued share capital of our Company
Offer Price per Share	:	HK\$0.625 to HK\$0.675
Number of Offer Shares	:	200,000,000 Shares
Number of Public Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares (subject to reallocation)
Board lot	:	4,000 Shares
Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share <i>(Notes 2 and 3)</i>	:	HK\$0.25 based on an Offer Price of HK\$0.625 per Share; and HK\$0.26 based on an Offer Price of HK\$0.675 per Share

Notes:

1. The calculation of the market capitalisation of the Shares is based on 800,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share has been arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 800,000,000 Shares in issue at the respective Offer Prices of HK\$0.625 and HK\$0.675 per Share immediately following completion of the Share Offer.
3. The unaudited pro forma adjusted net tangible assets of our Group does not take into account the dividends of approximately HK\$15.1 million declared by our Group members in September 2018. The unaudited pro forma net tangible assets per Share would have been approximately HK\$0.23 and HK\$0.24 per Share based on the Offer Price of HK\$0.625 and HK\$0.675 respectively, after taking into account the declaration of dividends in the sum of approximately HK\$15.1 million.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this prospectus
“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)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on 17 September 2018 and which will become effective upon the Listing, and as amended from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	our board of Directors
“Bookrunner”	Frontpage Capital, being the bookrunner of the Share Offer
“Bright Dance”	Bright Dance Group Limited (亮動集團有限公司), a company incorporated in the BVI with limited liability on 25 October 2017, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Building Authority”	the Building Authority of the Government, which provides services to owners and occupants in both existing and new buildings in the private sector through the enforcement of the Buildings Ordinance

DEFINITIONS

“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,990,000 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the section headed “Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of our sole Shareholder passed on 17 September 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 participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEDD”	Civil Engineering and Development Department of the Government
“Census and Statistics Department”	Census and Statistics Department of the Government
“Chairman”	the chairman of our Board, namely Dr. CW Lau
“Chief Executive Officer”	the chief executive officer of our Company, namely Dr. CK Lau

DEFINITIONS

“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Co-Managers”	China Industrial Securities International Capital Limited and Valuable Capital Limited
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company” or “our Company”	Shing Chi Holdings Limited (成志控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 3 January 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 February 2018
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council of Hong Kong, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, refers to Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a “Controlling Shareholder”), details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Corporate Governance Code”	Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 17 September 2018 given by our Controlling Shareholders in favour of our Company (for itself and for and on behalf of its subsidiaries) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition undertaking dated 17 September 2018 given by our Controlling Shareholders in favour of our Company (for itself and for and on behalf of its subsidiaries) regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings” in this prospectus
“Deputy Chairman”	the deputy chairman of our Board, namely Mr. CM Lau
“Development Bureau”	the Development Bureau of the Government
“Director(s)” or “our Directors”	the director(s) of our Company
“Dr. CK Lau”	Dr. Lau Chi Keung (劉志強), being our Chief Executive Officer, executive Director and a Controlling Shareholder
“Dr. CW Lau”	Dr. Lau Chi Wang (劉志宏), being our Chairman, executive Director and a Controlling Shareholder
“Elite Bright”	Elite Bright Developments Limited (翹暉發展有限公司), a company incorporated in the BVI with limited liability on 31 October 2017 and a Controlling Shareholder
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Environmental Protection Department”	the Environmental Protection Department of Hong Kong
“Fong On Construction”	Fong On Construction Limited (晃安建設有限公司) (formerly known as Fong On Foundation Limited (晃安地基有限公司)), a company incorporated in Hong Kong with limited liability on 18 September 1998 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Fong On Geotechnics”	Fong On Geotechnics Limited (晃安土力有限公司), a company incorporated in Hong Kong with limited liability on 18 September 1998 which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Frontpage Capital”	Frontpage Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“GEM”	GEM of the Stock Exchange
“Government”	the Government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HIBOR”	Hong Kong Interbank Offered Rate
“Hip Shing”	Hip Shing Construction & Engineering Limited (協盛建設有限公司), a company incorporated in Hong Kong on 27 September 2005, which is a connected person of our Company

DEFINITIONS

“Hip Shing Framework Agreement”	the agreement dated 10 September 2018 entered into between Po Shing Construction and Hip Shing for a term from the Listing Date and ending on 30 September 2019, pursuant to which Hip Shing has agreed to provide project management services in the capacity of a subcontractor
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards issued by the HKICPA
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Housing Authority”	the Housing Authority of the Government
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders of our Company, our subsidiaries or any of their respective associates

DEFINITIONS

“Ipsos”	Ipsos Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the industry report on the market overview and competitive analysis for the foundation and site formation industry, and the general building works industry in Hong Kong compiled by Ipsos, the content of which is quoted in this prospectus
“James Lau & Associates”	James Lau & Associates Limited (劉志宏建築工程師事務所有限公司), a company incorporated in Hong Kong with limited liability on 6 October 1989, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Labour Department”	the Labour Department of the Government
“Latest Practicable Date”	18 September 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Lead Manager”	Frontpage Capital, being the lead manager of the Share Offer
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Tuesday, 16 October 2018, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange
“Listing Division”	the Listing Division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Mass Strength”	Mass Strength Limited (力宏有限公司), a company incorporated in the BVI with limited liability on 25 October 2017, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on 17 September 2018 and which will become effective upon the listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus
“Mr. CM Lau”	Mr. Lau Chi Ming (劉志明), being our Deputy Chairman, executive Director and a Controlling Shareholder
“New Shares”	the 200,000,000 new Shares to be offered for subscription at the Offer Price under the Share Offer
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares collectively
“Peaceful Fluent”	Peaceful Fluent International Limited (順安國際有限公司), a company incorporated in the BVI with limited liability on 25 October 2017, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	the 180,000,000 new Shares initially offered by our Company, for subscription and/or purchase at the Offer Price pursuant to the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about Monday, 8 October 2018 by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Lead Manager, the Bookrunner and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Po Shing Construction”	Po Shing Construction Limited (保成建設有限公司), a company incorporated in Hong Kong with limited liability on 27 January 2004, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“PRC” or “China”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan
“Precious Castle”	Precious Castle Holdings Limited (珍堡控股有限公司), a company incorporated in the BVI with limited liability on 25 October 2017, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“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
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the final Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or around Monday, 8 October 2018, on which the final Offer Price is to be fixed for the purpose of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (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”	20,000,000 new Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer, who have entered into the Public Offer Underwriting Agreement to underwrite the Public Offer Shares
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 26 September 2018 relating to the Public Offer entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Lead Manager, the Bookrunner, the Co-Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	the Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation we have undergone in preparation for the Listing of Shares on the Stock Exchange which are more particularly described in the section headed “History, Development and Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in the section headed “Statutory and General Information – A. Further Information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus

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) in the share capital of our Company with a nominal or par value of HK\$0.01 each
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 17 September 2018, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Sponsor”	Frontpage Capital, the sponsor for the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 30 September 2017 and the six months ended 31 March 2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“US Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“mm”	millimetre
“sq. ft.”	square feet
“sq. m.”	square metre
“%”	per cent.

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

GLOSSARY OF TECHNICAL TERMS

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

“air compressor”	a machine that converts power from an engine or motor into potential energy by forcing air into smaller volume, thus increasing its pressure. Energy stored in the compressed air can be applied in various ways, usually by utilising the kinetic energy of the air as it is depressurised
“alteration and addition works”	alteration and addition works to existing buildings, such as constructing a new extension block, adding additional floors, combining two or more units into one by removing the partition walls, subdividing a unit into smaller units, adding water tanks, structural frames for air-conditioning or other plant and machinery
“Approved Public Works Contractors List”	the List of Approved Contractors for Public Works as kept by the Development Bureau
“Approved Specialist Contractors List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Authorized Signatory”	the appointed person to act for a registered contractor for the purpose of the Buildings Ordinance
“bill of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with the document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the work executed when the contract has been entered into
“bored piles” or “bored piling”	a type of pile installed by machine boring to the required level and subsequently inserting reinforcement cage into the hole and filling the hole with concrete
“CAGR”	compound annual growth rate

GLOSSARY OF TECHNICAL TERMS

“ELS”	excavation and lateral support, the system of construction works for the purpose of shoring support in the excavated area and, if applicable, drainage measures and avoidance of adverse effect on the adjacent structures
“excavator”	a power-driven machine for digging, moving, or transporting loose gravel, sand, or soil
“foundation works”	foundation works mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap construction
“GDP”	gross domestic product
“general building works”	general building works which mainly involve engineering construction of substructure and superstructure of building structural frames and external building envelopes either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers. It also includes the provision to buildings with internal fitting-out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external hard and soft landscaping works, underground utilities services and community services
“Green Card(s)”	Construction Safety Training Certificate issued or caused to be issued by the Commissioner for Labour proving the workers’ Enrolment of occupational health and safety training courses recognised by the Labour Department. When issued, it is valid for a period from one year to three years
“grouting”	the placing of grout which usually involves injecting a grout material through a tube into void spaces by pressure
“H-pile” or “H-piling”	a structural beam that has an H-section designed to be driven into bed rock to transfer structural loads to rocks layers with higher load-bearing capacity
“HVAC”	heating, ventilation and air-conditioning

GLOSSARY OF TECHNICAL TERMS

“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001:2015”	environmental management system requirements published by International Organisation for Standardisation
“ISO 9001:2015”	quality management systems model published by International Organisation for Standardisation for quality assurance in design, development, production, installation and servicing
“main contractor”	a contractor, appointed by the project employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and delegate specific work tasks of the construction to different subcontractors
“mini-pile” or “mini-piling”	a type of pile which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400mm in diameter
“MVAC”	mechanical ventilation and air-conditioning
“nominated subcontractor”	a subcontractor selected and nominated by the project employer
“NRMM”	non-road mobile machinery
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
“OHSAS 18001:2007”	an international standard that gives a framework for an occupational health and safety management system
“percussive piling” or “driven H-piling” or “steel H-pile”	a type of construction activity by sinking or driving a pile by direct or indirect hammering or other percussive means, comprising piling by the use of a drop hammer, diesel hammer, single acting pneumatic hammer, steam hammer or other percussive device
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from structure above to the pile or group of piles

GLOSSARY OF TECHNICAL TERMS

“Registered Contractor”	a contractor whose name is entered into the registers of general building contractors and specialist contractors, being kept by the Building Authority
“Registered Professional Engineer”	a person whose name is on the register of registered professional engineers established and maintained under section 7 of the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong)
“rockfall/debris flow protection barrier”	a proprietary fence system of flexible steel construction complete with energy absorption brake elements to protect facilities and human lives against the natural terrain hazards in the form of rockfall and debris flow events
“site formation works”	any works including excavations on sloping land, filling, landslip preventive works, landslip remedial works and ground water drainage works to prepare the construction sites for subsequent construction works
“socketed H-pile” or “rock socketed steel H-pile in pre-bored hole”	a type of pile formed by drilling holes in the ground and then insert a prefabricated steel H-pile into the borehole and subsequently grouting the hole with cementitious materials
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“Subcontractors Registration Scheme”	an industry-wide initiative to improve the regulation and management of subcontracting which aims at building up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics
“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 educational, residential, commercial, etc.
“Technical Director”	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

GLOSSARY OF TECHNICAL TERMS

“Ten Major Infrastructure
Projects”

Ten Major Infrastructure Projects announced in the 2007-08 Policy Address issued by the Chief Executive of Hong Kong including the South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Line and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line

“WBDB”

Works Branch of the Development Bureau

FORWARD-LOOKING STATEMENTS

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

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

FORWARD-LOOKING STATEMENTS

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

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

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

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

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

RISKS RELATING TO OUR BUSINESS

Our revenue mainly relies on successful tenders of or acceptance of our quotations for construction projects which are non-recurring in nature and any failure of our Group to secure projects from our existing customers and/or new customers in the future would affect our business operation and financial results

During the Track Record Period and up to the Latest Practicable Date, our revenue was mainly derived from construction projects in Hong Kong. We secured our construction projects mainly through a competitive tender or quotation process and were awarded each contract on a non-recurring basis. We do not have any long-term commitment with our customers and our customers have no obligation to award any new projects to us. As such, we cannot assure that our existing customers or potential customers will invite us to participate in their tendering processes or submit quotations, or that we will be able to secure projects from them in the future. Upon the completion of our contracts on hand, in the event that our Group is unable to receive new tender or quotation invitations or to be awarded new contracts, our business in general and our results of operations and financial performance may be adversely and materially affected. For further information on the tenders or quotations submitted, the number of construction projects awarded to our Group and our tender success rate during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business – Business model and our operation – 1. Project identification, tender preparation and submission – Tenders or quotations submitted during the Track Record Period" in this prospectus.

RISK FACTORS

We have recorded negative operating cash flows for the six months ended 31 March 2017 and 2018

Our Group recorded net cash used in operating activities of approximately HK\$8.8 million and HK\$26.1 million for the six months ended 31 March 2017 and 2018, respectively, and such negative operating cash flows were primarily due to the decrease in trade and other payables and the increase in trade and other receivables for the six months ended 31 March 2017, and the increase in trade and other receivables and amounts due from customers for contract works arising from substantial value of construction works completed near the period ended 31 March 2018. For details of our cash flows, please refer to the section headed “Financial Information – Liquidity and capital resources – Cash flows” in this prospectus. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

A significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our five largest customers for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 accounted for approximately 74.6%, 67.6%, 71.7% and 82.9% of our total revenue, respectively.

There is no assurance that we will continue to be awarded with contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

In addition, in the event that our major customers experience any financial difficulties or cashflow problem, this may result in delay or default in payments to us, in which case the business, financial positions and prospects of our Group could be materially and adversely affected.

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 when the construction works performed by our Group are certified by the relevant customers and/or architects or consultants engaged by the customers. Gross amounts due from customers for contract work arise when progress billings have not yet been taken place as at a financial period end date in respect of the construction works performed by our Group during that financial period. Please refer to the section headed “Financial Information – Discussion of certain combined statements of financial position items – 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

RISK FACTORS

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 deviate from the original contract sum specified in the relevant contract for the project due to variations (including addition, modification or cancellation of certain contract works) instructed by our customers from time to time during the course of project execution. Please refer to the section headed “Business – Business model and our operation” 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.

We rely substantially on our subcontractors to help complete our projects

We engage subcontractors to perform a substantial portion of the works under our construction projects. Our total subcontracting charges accounted for approximately 84.7%, 77.5%, 79.3% and 87.5% of our total cost of sales for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively.

Apart from the effect of any significant increase in the subcontracting costs which may impact 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 further exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees and may 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 to our subcontractors’ employees. These events may adversely impact our profitability, financial performance and reputation, as well as result in litigation or damages claims.

In addition, our subcontractors may not always be readily available when our needs for subcontracting arise and there is no assurance that we would be able to maintain good working relationships with our subcontractors in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us in future projects on similar terms and conditions. There is no assurance that we would be able to find suitable alternative subcontractors that meet our project needs and requirements to complete the projects, which would in turn adversely affect our performance capacity and financial results.

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Further, pursuant to section 43C of the Employment Ordinance, a main contractor, or a main 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. For further details, please refer to the section headed “Regulatory Overview – Laws and regulations in relation to labour, health and safety – Employment Ordinance (Chapter 57 of the Laws of Hong Kong)” in this prospectus. Our operations and hence our financial position may be adversely affected if any of our subcontractors violates its obligations to pay its employees.

We depend on our key management personnel with relevant knowledge, experience and expertise

Our success and growth depend on the knowledge, experience and expertise of our executive Directors, senior management and various engineering and technical personnel. For example, Dr. CW Lau, our Chairman and executive Director, has approximately 50 years of experience in construction, design and research in the field of civil engineering. Mr. CM Lau, our Deputy Chairman and executive Director has approximately 37 years of experience in engineering and Dr. CK Lau, our Chief Executive Officer and executive Director has approximately 40 years of experience in engineering. For further details of the qualification of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus. As we focus on various work scopes including the overall management of the projects, the planning and devising of detailed work programmes, engineering design and technical submissions, it is important for us to retain our management staff and the engineering and technical personnel with appropriate and necessary industry expertise. Our Company or the relevant member of our Group has entered into a service agreement with each of our executive Directors and employment contracts with our senior management and engineering and technical personnel. These service agreements and employment contracts can be terminated by either our Company or our Directors or employees. There could be an adverse impact on our operations should a significant number of our executive Directors, senior management or other key personnel with relevant expertise terminate his/her employment with us and appropriate persons could not be found to replace them in a timely manner. There is no assurance that our Group will be able to attract and retain capable staff members or that they will not resign in the future.

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

We determine the price of our quotation or tender based on our estimated cost plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the section headed “Business – Business model and our operation – 1. Project identification, tender preparation and submission – Tender preparation and submission” in this prospectus. The actual time and costs incurred by us, however, may be adversely affected by various factors, including (i) the specifications, underground conditions and difficulties of the project; (ii) the duration of the project; (iii) the site locations and the conditions and risk of adjacent building structures; (iv) unfavourable

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weather conditions; and (v) the resources availability. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. As our contracts with customers during the Track Record Period were generally fixed price contracts or re-measurement contracts for which our unit prices stated in the bill of quantities are fixed and without any price adjustment clause, once we agree on the quotation or tender price with our customer, we generally will have to bear any additional costs incurred. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays, thereby adversely affecting our operations and financial results.

Furthermore, the contracts we entered into during the Track Record Period normally contain specific completion schedule requirements and liquidated damages provisions (i.e. we may have to pay our customers liquidated damages if we or our subcontractors do not meet the schedules). Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. We may need to pay liquidated damages resulting from any failure to meet the completion schedule requirements of our contracts, to the extent that our customers do not grant us time extension. This may reduce or diminish our expected profit and cash inflow from the relevant contracts. During the Track Record Period, due to delay in completion of the house redevelopment at Perkins Road (Project P00445), the architect appointed by our customer indicated that our customer was entitled to deduct a sum of approximately HK\$2.7 million from us for liquidated damages. For details, please see the section headed “Business – Business model and our operation” in this prospectus.

The geological conditions of construction sites are difficult to anticipate and may result in higher project expenses

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

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There is no assurance that we can maintain the qualifications, licences and registrations for the operation of our construction business

We are required to maintain certain qualifications, licences and registrations to conduct our construction business. For further details, please refer the section headed “Business – Major qualifications, licences and certifications” in this prospectus. To maintain such qualifications, licences or registrations, we must comply with the relevant requirements imposed by the relevant Government departments. For instance, contractors registered with WBDB who will take up public works are subject to a regulatory regime which is implemented to ensure contractors’ standards of financial capability, expertise, management and safety. For further details, please refer to the section headed “Regulatory Overview” in this prospectus.

Further, the standards of compliance required may from time to time be subject to changes without substantial advance notice. We cannot assure you that all of the required qualifications, licences and registrations can be maintained or renewed in a timely manner or at all. If we fail to comply with any of the relevant requirements, our qualifications, licences or registrations could be temporarily suspended or revoked, or the renewal of our qualifications, licences or registrations upon expiry of their original terms may be delayed or refused. In such circumstances, our capability to undertake relevant works may be directly impacted, and our business, financial position, results of operations and reputation may be materially and adversely affected.

There is no assurance that we will fulfil all the admission requirements of the Development Bureau and be admitted as an approved contractor under the Group B (Probation) Approved Public Works Contractors List in the Buildings category, and under the Group II Land Piling category for large diameter bored pile, rock-socketed steel H-pile in pre-bored hole and mini-pile in the Approved Specialist Contractors List

Upon Listing, we intend to apply for admission (i) as an approved contractor under the Group B (Probation) Approved Public Works Contractors List in the Buildings category, pursuant to which our Group will be eligible to tender for any number of Group A contracts and Group B contracts of value up to HK\$300 million in order to participate more actively in tendering for public projects with larger contract sum as a main contractor; and (ii) as an approved specialist contractor under the Group II Land Piling category for large diameter bored pile, rock-socketed steel H-pile in pre-bored hole and mini-pile in the Approved Specialist Contractors List in which our Group will be eligible to tender for foundation contracts of unlimited value to expand our portfolio of public sector works. To be eligible for admission as an approved contractor on the abovementioned lists, the contractor needs to meet certain specific requirements of the Development Bureau, for details, please refer to the section headed “Business – Business strategies” in this prospectus. There is no assurance that we will be able to successfully fulfil all the admission requirements of the Development Bureau for admission as an approved contractor under Group B (Probation) Approved Public Works Contractors List in the Buildings category and/or the Approved Specialist Contractors List under the Group II Land Piling category in accordance with our expected timeline or at all. Failure to fulfil the admission requirements and be admitted as an approved contractor

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under the abovementioned lists will limit our eligibility to tender for contracts of a larger contract sum in the public sector and may limit our business growth, and affect our financial performance and results of operations.

We rely on the service of our Authorized Signatory(ies) and Technical Director for our Group's registrations maintained with the Buildings Department

We maintain certain registrations with the Buildings Department. In order to maintain such registrations, Fong On Construction and Po Shing Construction, our operating subsidiaries, must have at least one Authorized Signatory and one Technical Director to act for each of them for the purpose of the Buildings Ordinance and to carry out certain duties.

As at the Latest Practicable Date, the role of our Authorized Signatory was taken up by Dr. CW Lau and Mr. CM Lau, and the role of Technical Director was taken up by Dr. CW Lau and Mr. CM Lau for Fong On Construction and Po Shing Construction, respectively.

The Building Authority imposes certain requirements on the qualifications experience of such Authorized Signatory and Technical Director. Departure or loss or disqualification of the Authorized Signatory(ies) or Technical Director(s) may result in suspension of our Group's registrations maintained with the Buildings Department if no suitable replacement is identified and application to replace the position is made. In the event that our Group cannot maintain at least one Authorized Signatory and one Technical Director due to the departure or loss or disqualification of the abovementioned personnel and our Group cannot identify and recruit staff with adequate qualifications and experience eligible to become an Authorized Signatory or Technical Director in a timely manner, our Group's registrations maintained with the Buildings Department could be suspended or even revoked. In such event, our reputation, business operation and financial position may be materially and adversely affected.

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

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

Further, disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. Some of our projects may include orders for variation whereby our customers and/or the main contractors are entitled by the contracts, to give instructions to vary the contract works which we are generally obliged to follow. The value of such variations is generally ascertained by reference to the valuation principle as stated in the contract. If we and our customer take different views on the valuation results, contractual disputes with our customers may arise.

RISK FACTORS

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

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

In a construction project, cash outflows for payment of certain operating expenditures may not align with progress payments to be received during the relevant periods. In general, we do not receive any prepayment from our customers. Nevertheless, during the commencement of a project, we may incur various costs, including: (i) purchase costs of construction materials and supplies; (ii) rental costs for machinery; and (iii) settlement of our workers' salaries and our subcontractors' fees, while progress payments will be paid after our construction works commence and are certified by our customers and/or architects or consultants engaged by our customers. Accordingly, the cash inflows and outflows for a particular project may fluctuate as the construction works progress. For instance, for the six months ended 31 March 2017 and 2018, we had net cash used in operating activities of approximately HK\$8.8 million and HK\$26.1 million, respectively. 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.

Further, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and/or release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the section headed "Business – Business model and our operation" in this prospectus. As at 30 September 2015, 2016 and 2017 and 31 March 2018, our trade receivables amounted to approximately HK\$40.6 million, HK\$25.8 million, HK\$40.5 million and HK\$76.1 million, respectively, and the respective trade receivables accounted for approximately 28.4%, 12.6%, 19.3% and 32.2% of our total current assets, respectively. In addition, the trade receivables turnover days were 20.9 days, 28.5 days, 33.7 days and 56.1 days for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively. As at 30 September 2015, 2016 and 2017 and 31 March 2018, the retention monies held by our customers amounted to approximately HK\$25.3 million, HK\$38.4 million, HK\$37.2 million and HK\$45.0 million, respectively. For details of the fluctuations in our trade and retention receivables and our trade receivables turnover days, please refer to the section headed "Financial Information – Discussion of certain combined statements of financial position items" in this prospectus. We rely on cash inflow from our customers to meet our payment obligation to our suppliers and subcontractors, which is dependent on prompt settlement of progress payment and timely release of retention monies by our customers. As such, we may record a significant cash outflow in the event that we take up too many capital-intensive projects during a particular period of time.

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We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of the trade receivables from our customers within the agreed credit terms or at all. Further, in the event that disputes arise between us and the main contractor or customer in relation to the variation orders, there is a possibility that we may take a longer time than the credit period offered to collect payments. Any failure by our customers to make payments on time and in full may lead to mismatch in our cash flows, which will negatively affect our cash flow position and affect (i) our ability to repay our suppliers and subcontractors; (ii) our tendering decisions as we may not be in a position to take up any more new projects with a high upfront costs; and (iii) our ability to meet the minimum working capital requirement of our licences with the Development Bureau which may lead to a suspension of licence. This will negatively affect our business operation and financial performance.

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

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

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

Our Directors estimate that the aggregate amount of expenses in relation to the Listing will be approximately HK\$36.0 million, which will be borne by our Group. Approximately HK\$1.4 million and HK\$10.9 million was charged to profit or loss for the year ended 30 September 2017 and the six months ended 31 March 2018, respectively. For the remaining amount of approximately HK\$23.7 million, our Group expects to further charge approximately HK\$8.1 million to profit or loss after the Track Record Period, while approximately HK\$15.6 million is expected to be directly attributable to the issue of the new Shares and accounted for as a deduction from equity upon Listing under the relevant accounting standards. Expenses in relation to the Listing are non-recurring in nature. Whether or not the Listing eventually occurs, a major portion of the Listing expenses will be incurred and recognised as expenses, which will reduce our net profit and therefore negatively affect our future financial performance. As a result, our Board wishes to inform the Shareholders and potential investors that our Group's business, financial performance, results of operations and prospect would be significantly and adversely affected by the estimated expenses in relation to the Listing.

RISK FACTORS

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 is on a non-recurring basis, and our revenue and profit margin in respect of the relevant construction projects depend on the pricing of our quotation/tender and unexpected obstacles in relation to our works which include the increase in length of contract period and cost, 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.

The historical financial information of our Group is a mere analysis of our past performance. It does not have any positive implication, nor may it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new contracts with a reasonable profit margin, control our costs and expenditures and effective project implementation. Profit margins of our Group's construction projects may fluctuate from project to project due to factors such as the scope and complexity of the project, estimated construction materials costs, subcontracting charges and the costs of rental of machinery and equipment. There is no assurance that our profit margins in the future will remain at a level similar to those we achieved during the Track Record Period, and our financial condition may be adversely affected by any decrease in our profit margin.

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

For construction projects where our Group acts as the main contractor, we take out employees' compensation insurance and contractors' all risks insurance which cover our Group's and our subcontractors' employees, and the works performed by us and them. Similarly, where we undertake the role of subcontractor in a project, we are covered by the employees' compensation insurance and contractors' all risks insurance taken out by the project's main contractor. For further details, please refer to the section headed "Business – Insurance" 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 the insurance taken out by us. To the extent that our insurance does not cover such losses, damage or liabilities, the resulting payment to cover such losses, damage or liabilities may have a material adverse effect on our business, results of operations and financial position.

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

There is no assurance that our employees or other third parties will not commit fraud or other misconduct and we may be unable to detect, deter or prevent all such actions of our employees or other third parties. Any such fraud or other misconducts committed by our employees or other third parties at the expense of our Group's interests, which may include undetected past acts or future acts, may have a material adverse effect on our Group's business, results of operations and financial position.

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Claims in connection with employees' compensation or personal injuries may arise and affect our reputation and operations

Injuries to workers and casualties at construction sites are a common inherent risk in the construction industry. As at the Latest Practicable Date, our Group was subject to certain claims in relation to employee's compensation and personal injury claims, and such proceedings were in progress as at the Latest Practicable Date. Further information regarding such claims is set out in the section headed "Business – Legal proceedings and potential claims" in this prospectus.

Claims of such nature expose us to the risk of bearing higher insurance premiums in the future and may damage the reputation of our Group as a main contractor if they turn into high profile cases and become widely reported in the media or within the industry. Such incidents may negatively affect our business prospects, reputation and results of operations.

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

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

As a result of the purchase of additional machinery, based on the intended timing of deployment of the net proceeds for purchasing the additional machinery, it is estimated that additional depreciation of approximately HK\$3.6 million and HK\$4.4 million from the new machinery will be charged to our profit and loss account for the years ending 30 September 2019 and 2020, respectively. In addition, based on the intended timing of deployment of the net proceeds for expansion of our manpower, it is estimated that additional staff costs of approximately HK\$4.2 million and HK\$5.2 million will be incurred for the years ending 30 September 2019 and 2020, respectively.

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

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RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

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

During the Track Record Period, all of our business operations were located in Hong Kong and we derived most of our revenue from provision of construction works in Hong Kong. The number of projects awarded to us depend highly on the prevailing market conditions in the construction industry, including shortage of skilled labour, economic fluctuations in Hong Kong, availability of new projects in the private sector and general conditions and development of Hong Kong economy. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

We operate in a competitive environment

According to the Ipsos Report, the foundation and site formation industry in Hong Kong is competitive. As of September 2018, there were 43 and 84 contractors registered on the Approved Specialist Contractors List (Land Piling category), and Approved Public Works Contractors List (Site Formation category) respectively. As for private projects, there were 153 and 195 contractors registered under Buildings Department's register of Specialist Contractors with sub-register of the foundation works category and site formation works category, respectively, and 741 contractors registered under Buildings Department's register of general building contractors. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, longer and more established relationship with main contractors or project owners, and greater marketing and other forms of resources. Further, some of the existing market players have been listed on the Stock Exchange, which may give them an advantage in terms of financing capability and reputation. New participants may enter the industry provided that they possess all the various licences, resources, experience and qualifications required. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

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

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

RISK FACTORS

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

We rely on a stable workforce, either directly employed by us or our subcontractors, to carry out our construction projects. In particular, a large number of construction workers and machinery operators with various skills and expertise are required for each construction project. According to the Ipsos Report, the construction industry in Hong Kong is suffering from the challenges of labour shortage and aging workforce. Despite the increase in the average wage of construction workers at a CAGR of approximately 8.2% from 2012 to 2017, the construction labour shortage situation is still severe.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs. However, in view of the current situation in the labour market, there is no assurance that the supply of labour and average labour costs will be stable. All labour-intensive projects are more susceptible to labour shortage, and our subcontracting costs include the labour costs of our subcontractors. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors retain their labour) by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages and/or incur a loss.

RISKS RELATING TO THE SHARE OFFER

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

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

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

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of the Shares, changes in securities analysts' (if any) estimates of our financial performance, investors'

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perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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

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

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

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

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, members of our Group have in aggregate declared dividends of approximately HK\$150,000, HK\$450,000, HK\$3.0 million and nil to their then shareholders, respectively. On 14 September 2018, members of our Group declared dividends to their then shareholder in the sum of approximately HK\$15.1 million of which approximately HK\$15.0 million was set off against the amounts due from directors and approximately HK\$0.1 million will be settled by cash by internal resources before Listing, which is expected to be on 16 October 2018. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company to the Shareholders in the future after Listing. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend, please refer to the section headed "Financial Information – Dividends and distributable reserves" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

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

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible asset value to HK\$0.23 per Share or HK\$0.24 per Share based on the Offer Price at HK\$0.625 per Offer Share (being the low-end of the proposed Offer Price range) or HK\$0.675 per Share (being the high-end of the proposed Offer Price range), respectively on the basis that 800,000,000 Shares were in issue and that the Reorganisation, the declaration of dividends in the sum of approximately HK\$15.1 million on 14 September 2018, the Share Offer and the Capitalisation Issue had been completed on 31 March 2018.

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

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

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

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong and you may face difficulties in protecting your interests

We are an exempted company incorporated in the Cayman Islands with limited liability and the law of Cayman Islands may differ in some aspects from that of Hong Kong or other jurisdiction where investors may be located.

The corporate affairs are governed by the Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This means that the remedies available to our Company's minority shareholders may

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be different from those they would have under the laws of other jurisdictions. A summary of the Cayman Islands company law on protection of minorities and shareholders' suits is set out in Appendix III to this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

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

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

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

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

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

A member of our Group has business transactions with a connected person at the subsidiary level of our Company that are expected to continue after Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. In preparation for the Listing, we have applied to the Stock Exchange for waiver from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the Hip Shing Framework Agreement on 10 September 2018 with Hip Shing, pursuant to which Hip Shing has agreed to provide project management services in the capacity of a subcontractor. As Hip Shing is a connected person under Chapter 14A of the Listing Rules, the transactions contemplated under the Hip Shing Framework Agreement will constitute continuing connected transactions for our Company under the Listing Rules after Listing. Details of the Hip Shing Framework Agreement are set out in the section headed “Connected Transactions” in this prospectus.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules. Further details of such continuing connected transactions and the waiver sought are set out in the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER

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

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

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

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis, under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to any agreement on pricing of the Offer Shares between the Lead Manager (for itself and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Lead Manager.

If, for any reason, the Offer Price is not agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters) by Friday, 12 October 2018, the Share Offer will not proceed and will lapse immediately. Further information relating to the Underwriters and Underwriting Arrangements are contained in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

REGISTER OF MEMBERS AND STAMP DUTY

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m on Tuesday, 16 October 2018. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 1741. Our Company will not issue any temporary documents of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

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

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

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

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

WEBSITE

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Dr. Lau Chi Wang (劉志宏)	Flat 9B Braemar Hill Mansion 37 Braemar Hill Road Hong Kong	Chinese
Mr. Lau Chi Ming (劉志明)	Flat A2, 9th Floor Block A Beverly Hill 6 Broadwood Road Hong Kong	Chinese
Dr. Lau Chi Keung (劉志強)	Flat B, 14th Floor Century Tower I 1 Tregunter Path Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Leung Bing Kwong Edward (梁秉綱)	Flat A, 7th Floor Erin Court 297 Prince Edward Road West Kowloon City Hong Kong	Canadian
Mr. Pang Ka Hang (彭嘉恆)	9th Floor 106 Tin Hau Temple Road North Point Hong Kong	Canadian
Mr. Wong Chun Nam (黃鎮南)	Flat 7C, Block 1 Flora Garden 7 Chun Fai Road Tai Hang Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Bookrunner and Lead Manager	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Co-Managers	China Industrial Securities International Capital Limited 7th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i> Valuable Capital Limited Room 2815, 28th Floor China Merchants Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO)</i>

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company	<p><i>As to Hong Kong law:</i> CFN Lawyers in association with Broad and Bright Units 4101-4104, 41st Floor Sun Hung Kai Centre 30 Harbour Road Wan Chai Hong Kong <i>(Solicitors of Hong Kong SAR)</i></p> <p><i>As to Cayman Islands law:</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong <i>(Legal advisers as to Cayman Islands law)</i></p>
Legal advisers to the Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> T. S. Chu Lawyers Room 1003, 10th Floor Jubilee Centre 46 Gloucester Road Wan Chai Hong Kong <i>(Solicitors of Hong Kong SAR)</i></p>
Reporting accountants	<p>HLB Hodgson Impey Cheng Limited 31st Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong <i>(Certified Public Accountants)</i></p>
Tax adviser	<p>HLB Hodgson Impey Cheng Taxation Services Limited 31st Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong</p>
Market research consultant	<p>Ipsos Limited 22nd Floor Leighton Centre 77 Leighton Road Causeway Bay Hong Kong</p>

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Internal control consultant

Sam K. M. Ng CPA Limited
Unit 1202, 12th Floor
Tung Chiu Commercial Centre
193 Lockhart Road
Wan Chai
Hong Kong

Receiving bank

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

CORPORATE INFORMATION

Registered Office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Units 1901-1904 China Merchants Building 152-155 Connaught Road Central Hong Kong
Company secretary	Ms. Yim Sau Ping (嚴秀屏) (FCPA) 2nd Floor, 596 The Wonderland Tai Po Tau, Tai Wo New Territories Hong Kong
Company's website	<u>www.shingchiholdings.com</u> (the information contained in this website does not form part of this prospectus)
Authorised representatives	Mr. Lau Chi Ming (劉志明) Flat A2, 9th Floor Block A Beverly Hill 6 Broadwood Road Hong Kong Ms. Yim Sau Ping (嚴秀屏) (FCPA) 2nd Floor, 596 The Wonderland Tai Po Tau, Tai Wo New Territories Hong Kong
Audit Committee	Mr. Pang Ka Hang (彭嘉恆) (Chairman) Mr. Leung Bing Kwong Edward (梁秉綱) Mr. Wong Chun Nam (黃鎮南)
Remuneration Committee	Mr. Wong Chun Nam (黃鎮南) (Chairman) Mr. Lau Chi Ming (劉志明) Mr. Leung Bing Kwong Edward (梁秉綱) Mr. Pang Ka Hang (彭嘉恆)
Nomination Committee	Mr. Leung Bing Kwong Edward (梁秉綱) (Chairman) Dr. Lau Chi Keung (劉志強) Mr. Pang Ka Hang (彭嘉恆) Mr. Wong Chun Nam (黃鎮南)

CORPORATE INFORMATION

Compliance adviser	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

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

SOURCE OF INFORMATION

We commissioned Ipsos, an independent professional market research company, to assess the industry development trends, market demand and competitive landscape of the foundation and site formation industry and the general building works industry in Hong Kong for the period from 2012 to 2021, at a fee of HK\$558,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with Share Offer in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,600 personnel worldwide across 89 countries.

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

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

INDUSTRY OVERVIEW

ASSUMPTIONS USED IN THE IPSOS REPORT

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

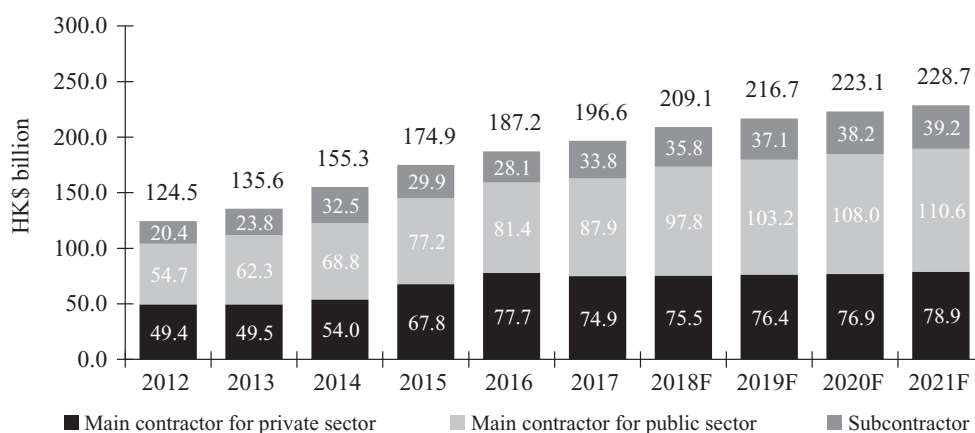
- It is assumed that the global economy remains in steady growth across the period from 2018 to 2021; and
- the external environment is assumed to have no shocks, such as financial crisis or natural disasters, that will influence the demand and supply of the foundation and site formation industry and the general building works industry

MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of construction works in Hong Kong

The construction industry in Hong Kong accounted for about 3.6% to 5.2% of the total GDP from 2012 to 2016. The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong surged from approximately HK\$124.5 billion in 2012 to approximately HK\$196.6 billion in 2017, representing a CAGR of approximately 9.6%. The gross output value of construction works is expected to increase from about HK\$209.1 billion in 2018 to about HK\$228.7 billion in 2021 at a CAGR of approximately 3.0%. The following diagram illustrates the actual and forecast gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2012 to 2017 and from 2018 to 2021, respectively.

**Gross Output Value of Overall Construction Works Performed
at Construction Sites in Hong Kong from 2012 to 2021**



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

The increase in the gross output value of the construction works performed at construction sites from 2012 to 2017 was attributed to both the public and private sectors. For public sector, the increase was driven by the Ten Major Infrastructure Projects, among which seven out of ten of them commenced between 2009 and 2013. For private sector, the increased construction of residential, commercial and office buildings supported the growth

INDUSTRY OVERVIEW

of the gross output value of the construction works performed. The gross output value is expected to increase from 2018 to 2021 driven by the continuous construction of the Ten Major Infrastructure Projects and the Government's initiatives to increase housing supply through the increase in public housing production and the Land Sale Programme.

Total investment value in construction projects in Hong Kong

The total investment value in construction projects increased steadily from HK\$236.7 billion in 2012 to HK\$367.3 billion in 2016 at a CAGR of 11.6% mainly attributed to the increased infrastructure investment in the Ten Major Infrastructure Projects as mentioned above, and the higher costs of construction works such as the rising cost of labour and machinery rental. For instance, the average daily wage of workers in the construction industry grew at a CAGR of approximately 8.2% between 2012 and 2017.

Major participants in the construction industry in Hong Kong

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

Types of building procurement methods in the construction industry

There are two common types of procurement methods for construction projects, namely (i) build-only method; and (ii) design and build method. Build-only contract refers to a type of contract that the construction project owner, appointed consultants and architects carry out the design with respect to the project requirements before inviting contractors to tender for the building works. Design and build contract refers to a type of contract that the construction project requires both design and build inputs from the contractors. In other words, the design works and building works will be included in the same contract of a tendering exercise. Under this type of contract, the contractors are also responsible to manage and engage with the architects, if necessary, to liaise on detailed design work. The contractors who have the capability to tender design and build contract are generally more competitive in the market, in which the competitiveness can be in terms of (i) having proven track record from the previous design and build contracts; (ii) possessing in house architects, structural engineers and civil engineers who have the knowledge on design and project management works; and (iii) good relationship with third-party architects or construction consultants.

INDUSTRY OVERVIEW

OVERVIEW OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

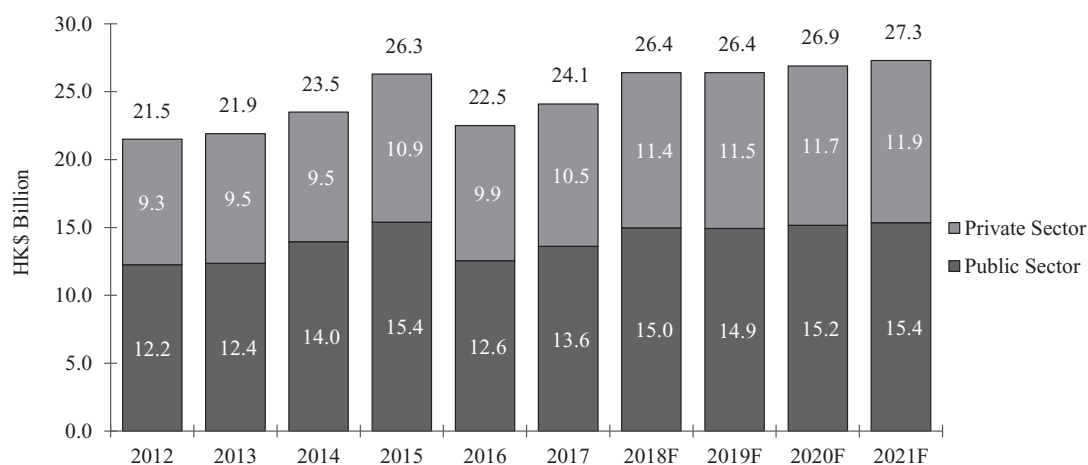
Both foundation works and site formation works belong to the early stage of a construction project, and they are closely related as foundation works are usually carried out after the prior site formation works have been finished. Site formation works, including the levelling of land, slope stabilisation, construction of retaining walls and access roads, generally involve the preparation of a construction site for subsequent foundation and superstructure works. While foundation works, including piling, pile cap construction, excavation and lateral support works, connect an architectural structure to the ground, and transfers loads from the structure to the ground.

The demand for foundation works depends largely on the demand for construction works, as common foundation works such as drilling and piling are usually conducted only after a construction project starts. As such, the revenue growth in the foundation industry is closely related to the number of project starts. During 2012 to 2017, affected by the filibuster in the legislative council which is responsible for the approval of public construction projects, revenue of the foundation and site formation industry fluctuated throughout the period. In 2017, the revenue of Hong Kong's foundation and site formation industry accounted for approximately 11.6% of the gross output value performed by main contractors and subcontractors at local construction sites.

Revenue of the foundation and site formation industry in Hong Kong

The chart below shows the gross output value (or revenue) of the foundation and site formation industry in Hong Kong between 2012 and 2017 and the forecast from 2018 to 2021:

**Gross Output Value of the foundation and site formation Industry
in Hong Kong from 2012 to 2021F**



Sources: 2017 Policy Address of the Government, HKSAR; Census and Statistics Department, HKSAR; Construction Industry Council, HKSAR; Ipsos research and analysis

INDUSTRY OVERVIEW

The gross output value of foundation and site formation works grew from approximately HK\$21.5 billion in 2012 to approximately HK\$24.1 billion in 2017, growing at CAGR of approximately 2.1% in public sector and approximately 2.6% in private sector, owing to the steady growth of the construction works in Hong Kong. From 2015 to 2016, the fluctuation is due to the filibustering in the Legislative Council and the limited benefit from the recent major infrastructure projects. Piling works are mainly required by construction projects consisting of superstructures and they are always constructed in the early stage of a construction project. However, infrastructure projects commenced recently are mostly railway projects which required fewer foundation and site formation works and consisted of fewer superstructures relatively. During the forecast period from 2018 to 2021, the gross output value of foundation and site formation works is expected to witness a steady growth at CAGR of approximately 0.8% in public sector and approximately 1.5% in private sector. The growth is supported by the Government's initiatives in housing development and the 10-year Hospital Development Plan, which has large number of superstructure construction projects. Moreover, in the 2017 Policy Address of the Government, the public sector is expected to produce about 94,500 residential units by 2021. Thus, the continuous investment in property development is expected to drive the total gross output value of foundation and site formation works in Hong Kong during the coming years.

COMPETITIVE LANDSCAPE OF THE FOUNDATION AND SITE FORMATION INDUSTRY IN HONG KONG

Industry structure

According to the Ipsos Report, in September 2018, there were 43 and 84 contractors registered on the Approved Specialist Contractors List (Land Piling category), and Approved Public Works Contractors List (Site Formation category), respectively. Regarding the private projects, there were 153 and 195 contractors registered under Buildings Department's register of specialist contractors with sub-register of the foundation works category and site formation works category, respectively. Furthermore, there were 342 companies registered as subcontractor in the Construction Industry Council under foundation and piling trade code in September 2018. The foundation and site formation industry in Hong Kong is fairly consolidated. The top five players with revenue each ranged from approximately HK\$1,001.9 million to approximately HK\$3,111.9 million and in aggregate had a market share of approximately 47.9% for 2017 in terms of revenue. It can be observed that the competition in the foundation and site formation industry has been intensified in recent years with companies offering discounts and sacrifice part of their profit margin for tendered projects to better compete with other contractors.

Positioning of our Group in Hong Kong

Our Group, as one of the contractors in the foundation and site formation industry, recorded approximately HK\$131.8 million of revenue from foundation and site formation works for 2017, which accounted for approximately 0.6% of the total market share of the foundation and site formation industry in Hong Kong for 2017 in terms of revenue according to the Ipsos Report.

INDUSTRY OVERVIEW

OVERVIEW OF THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

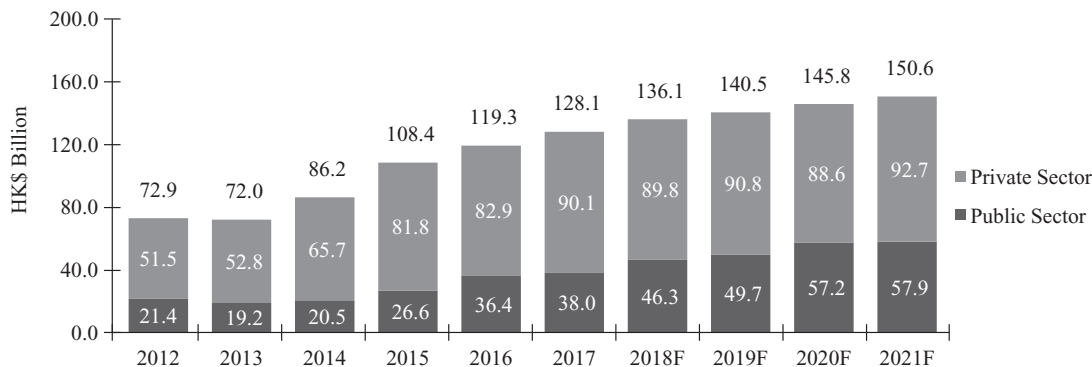
General building works refer to the construction works performed by main contractors and subcontractors at construction sites, with the nature entitled “Buildings” which include residential, commercial, industrial and storage, service buildings and other types of buildings in sites. Superstructure building works is a part of general building works. In general, superstructure building works refer to the building works in relation to the parts of the structure above the ground level, which generally include structural concrete construction for superstructure on typical floors, roofing works, installation of window wall and installation of building services works.

In 2017, the revenue of Hong Kong’s general building works industry accounted for approximately 65.1% of the gross output value performed by main contractors and subcontractors at local construction sites, suggesting the importance of general building works in the construction industry.

Revenue of the general building works industry in Hong Kong

The chart below shows the gross output value (or revenue) of the general building works industry in Hong Kong between 2012 and 2017 and the forecast from 2018 and 2021:

Gross Output Value of the General Building Works Industry in Hong Kong from 2012 to 2021F



Sources: Census and Statistic Department, HKSAR; Rating and Valuation Department, HKSAR; 2017 Policy Address, HKSAR; Ipsos research and analysis

The revenue of the general building works industry in Hong Kong increased from approximately HK\$72.9 billion in 2012 to approximately HK\$128.1 billion in 2017, at a CAGR of approximately 11.9%. The overall increase in the revenue was led by the Government’s initiative to increase public housing supply. The increase in the revenue was also attributable to the increased construction of private residential, commercial and office buildings. For public sector, the gross output value of the general building works segment increased from approximately HK\$21.4 billion in 2012 to HK\$38.0 billion in 2017, rising at a CAGR of approximately 12.2%. The production of public housing drove up the gross revenue of the industry. During the period between 2012 and 2017, the number of public housing units produced by the Housing Authority increased at a CAGR of approximately

INDUSTRY OVERVIEW

0.8%. The construction of Government buildings and other services buildings, such as the Trade and Industry Tower and the Children's Hospital in Kai Tak Development Area, also contributed to the increased gross revenue. For private sector, the gross output value of the general building works segment increased from approximately HK\$51.5 billion in 2012 to HK\$90.1 billion in 2017, rising at a CAGR of approximately 11.8%. The increased construction of residential, commercial and office buildings led to the increased revenue. According to the Rating and Valuation Department, from 2012 to 2017, the total number of newly completed private residential units increased with a CAGR of approximately 11.9%. Moreover, the floor area of newly completed commercial and office space increased between 2012 and 2017 with a CAGR of approximately 3.1% and approximately 7.9%, respectively.

The revenue of the general building works industry in Hong Kong is expected to increase from approximately HK\$136.1 billion in 2018 to approximately HK\$150.6 billion in 2021, at a CAGR of approximately 3.4%. From 2018 to 2021, the gross output value of the general building works segment in the public sector is expected to increase from approximately HK\$46.3 billion to HK\$57.9 billion at a CAGR of approximately 7.7%. The gross output value of the general building works segment in private sector will increase from approximately HK\$89.8 billion in 2018 to HK\$92.7 billion in 2021, rising at a CAGR of approximately 1.1%. The expected increase in the revenue is supported by the upcoming development plans and existing construction projects. For example, Kwu Tong North New Development Area and Fanling North New Development Area are expected to provide 60,000 flats and 840,000 sq. m. of industrial and commercial floor area. Moreover, the development of Kai Tak and Kowloon East will also provide additional residential flats and commercial floor area for construction. As a result, the revenue of the general building works industry in Hong Kong is expected to increase in the forecast period.

COMPETITIVE LANDSCAPE OF THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

Industry structure

According to the Ipsos Report, in September 2018, there were 159 contractors registered on the Approved Public Works Contractors List (Buildings category), and 41 contractors registered on the Housing Authority's counterpart list under the New Works category. Regarding the private projects, there were 741 registered general building contractors with the Buildings Department. The general building works industry in Hong Kong is fragmented. The top five players with revenue each ranged from approximately HK\$3,275.7 million to approximately HK\$3,776.3 million and in aggregate had a market share of approximately 14.1% for 2017 in terms of revenue.

Positioning of our Group in Hong Kong

Our Group, as one of the contractors in the general building works industry, recorded approximately HK\$172.5 million of revenue from general building works and associated services for the year ended 30 September 2017, which accounted for approximately 0.1% of the total market share of the general building works industry in Hong Kong for 2017 in terms of revenue according to the Ipsos Report.

INDUSTRY OVERVIEW

MAJOR COST COMPONENTS OF THE FOUNDATION AND SITE FORMATION INDUSTRY AND THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

Labour costs and costs of materials, including steel reinforcement, H-piles and cement, are the major cost components for foundation and site formation works and general building works in Hong Kong.

Average daily wage of construction workers in the foundation and site formation industry in Hong Kong

From 2012 to 2017, the average daily wage of workers engaged in the foundation and site formation industry has increased at a CAGR of approximately 8.8% from approximately HK\$917.7 in 2012 to approximately HK\$1,400.7 in 2017. The increase was mainly due to the excessive labour demand in the industry. Although the wage increase has attracted the younger workforce and the number of construction workers under age 30 is gradually increasing, the construction labour shortage situation is still severe. According to the forecast of manpower situation of skilled construction workers published by the CIC in May 2018, concreters, bar benders and fixers, are the trades with prominent manpower shortages across the near future. Workers in these trades are essential for foundation and site formation works, and each trade requiring labour with specialised skills which may not be easily replaceable with labour from other trades. Thus it is expected that the daily wage of foundation and site formation contracting workers in Hong Kong will continue to rise over the forecast period.

Average daily wage of major construction workers in the general building works industry in Hong Kong

From 2012 to 2017, the daily wage for major workers in the general building works industry has increased at a CAGR of approximately 10.6% from approximately HK\$1,027.9 in 2012 to approximately HK\$1,698.0 in 2017. The increase was mainly a result of the rising demand for housing construction, coupled with the Hong Kong's government's initiative to increase housing supply. In addition to the growing demand, the accelerating daily wage of general building construction workers was also due to the labour shortage in the overall construction industry in Hong Kong.

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Price trend of key materials used in the foundation and site formation works and the general building works in Hong Kong

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

Materials	2012	2013	2014	2015	2016	2017
Steel reinforcements (HK\$ per tonne)	5,921.6	5,282.2	4,775.2	3,723.6	3,672.6	4,595.5
H-piles (HK\$ per kilogram)	5.9	5.5	5.1	4.3	3.6	4.4
Portland cement (HK\$ per tonne)	690.3	698.5	720.4	739.2	714.7	699.9

The average wholesale price of steel reinforcements dropped from about HK\$5,921.6 per tonne in 2012 to about HK\$4,595.5 per tonne in 2017, at a CAGR of approximately -4.9%. The average wholesale price of H-piles in Hong Kong decreased from around HK\$5.9 per kilogram in 2012 to HK\$4.4 per kilogram in 2017, at a CAGR of about -5.7%. The decrease in the average wholesale price for steel reinforcements and H-piles was attributed to the decrease in downstream industries' demand for steel production and H-piles, and the global drop in demand for new construction work, paired with oversupply of steel.

The average wholesale price of Portland cement in Hong Kong increased from about HK\$690.3 per tonne in 2012 to about HK\$699.9 per tonne in 2017, at a CAGR of about 0.3%. The price has been slowly increasing at a relatively stable rate between 2012 and 2015, and dropped in 2016 and 2017. Such decrease was attributable to the falling prices offered by the cement companies in mainland China due to high inventory ratio combined with the decreased demand of cement on infrastructure and real estate construction.

FACTORS OF COMPETITION IN THE FOUNDATION AND SITE FORMATION INDUSTRY AND THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

Established relationships with customers, subcontractors and suppliers

In the foundation and site formation industry and general building works industry, contractors who have established relationship with customers may have a higher chance to win project tenders. Private developers generally have their own list of contractors for tender invitation. Therefore, building good and sustainable relationships with customers is crucial for main contractors. In addition, by developing established long-term business relationships with suppliers and subcontractors, construction contractors may also benefit from a stable supply of quality materials, construction machines and skilled labour and have more flexibility in negotiating prices, allocating resources and executing projects compared with competitors. Companies with longer operating histories may have more established working relationships.

INDUSTRY OVERVIEW

Industry reputation and proven track record

With proven track record with respect to the timeliness of project delivery, quality of work, compliance with safety and environmental requirements, a contractor can gain reputation and credibility in the foundation and site formation industry and general building works industry. In particular, in the private sector, customers tend to invite main contractors who have proven track record to participate in the tendering process, as the customers can have better confidence that the projects are executed in accordance with their quality standard without project delay. Contractors with good reputation and track record are able to gain trust from customers and are more competitive than the contractors without proven track record.

ENTRY BARRIERS FOR THE FOUNDATION AND SITE FORMATION INDUSTRY AND THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

The foundation and site formation industry and the general building works industry in Hong Kong have certain entry barriers, including:

Sufficient industry experience and well-established networks

Market players' reputation and established relationship with customers and suppliers are two major factors of competition in the foundation and site formation and general building works industry in Hong Kong. In general, past job experience and past performance are assessed by property owners in the tender selection. Besides, customers may send tender invitations to contractors which they have a good working relationship established. As a good track record and reputation can only be accumulated by time, contractors with a well-developed portfolio, established relationship with developers and reputation in the industry will generally possess a higher success rate in tendering, as compared to new entrants with absence of proven quality and reliability of works to meeting the project requirements. In addition, qualifications and relevant licences such as to be registered in the List of Approved Contractors for Public Works maintained by the Development Bureau and the register of Registered General Building Contractors under the Buildings Department, are also obligatory during the preconditions of certain tendering. With these hurdles, new entrants may experience challenges to be awarded a tender and enter the industry.

Significant level of capital requirement

Sufficient capital for project initiations and adequate capital management throughout the construction process to finance project operations are two essential factors for new entrants to take into consideration. Before project initiations, contractors have to ensure an abundant amount of cash for procurement of raw materials, leasing specialised machinery, recruitment of skilled labour and other payment for its suppliers and subcontractors. During the construction process, sufficient capital is also required to guarantee the payment of wages, surety bond and machinery rental for operation works as contractors often need to pay for their suppliers and subcontractors before getting paid by their customers. Moreover, contractors also have to fulfill capital requirements for registration under different government departments. Therefore, the level of capital requirement could be one of the barriers that hinder new entrants from entering the industry.

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MARKET DRIVERS OF THE FOUNDATION AND SITE FORMATION INDUSTRY AND THE GENERAL BUILDING WORKS INDUSTRY IN HONG KONG

Government's initiatives to increase land supply for residential and commercial use

The Government has taken initiatives to increase the land supply to residential, office and commercial buildings, which has driven the growth of the foundation and site formation industry and the general building works industry as there will be more building units to be constructed in the coming years. For example, according to the “Long Term Housing Strategy – Annual Progress Report 2017” published by the Transport and Housing Bureau of the Government, the Housing Authority and Hong Kong Housing Society have established a total housing supply target of 100,300 public housing units for the five-year period from 2017-2018 to 2021-2022 under the framework of Long Term Housing Strategy. Also, it is estimated that the private housing land supply in the financial year of 2017 will result in over 19,000 units as according to the Land Sale Programme from April 2017 to March 2018. With respect to land for commercial and other economic activities, approximately 560,000 sq. m. of commercial or office floor area is expected to be released through deprovisioning the existing government facilities in the two action areas in Kwun Tong and Kowloon Bay. In addition, the Government has also implemented the Industrial Revitalisation Policy and buildings re-habitation measures through Development Bureau and Urban Renewal Authority to revitalize ageing buildings and redevelop old districts. Such initiatives will drive the foundation and site formation industry and the general building works industry forward in producing more residential, commercial and industrial building properties and underpins the growth of the industries.

Large-scale infrastructure projects

The commencement and implementation of large-scale infrastructure projects such as the Ten Major Infrastructure Projects, the third runway system at Hong Kong International Airport and the construction of the Hong Kong Section of the Hong Kong-Zhuhai-Macau Bridge have been driving the growth of the foundation and site formation industry in Hong Kong. For instance, the public expenditure on infrastructure increased from approximately HK\$61.7 billion in 2012 to approximately HK\$87.3 billion in 2017, at a CAGR of approximately 7.2%. The Government will also take forward the new railway projects, such as the Tuen Mun South Extension and the Tung Chung West Extension under the Railway Development Strategy 2014. With more projects to commence over the forecast period, it is expected that the foundation and site formation industry will be further stimulated by such mega public infrastructure projects.

THREATS TO THE FOUNDATION AND SITE FORMATION INDUSTRY AND THE GENERAL BUILDING WORKS INDUSTRY

Lack of skillful labour and aged labour exiting the industry

The Hong Kong construction industry, including the foundation and site formation industry and the general building works industry, has been facing the problem of labour shortage and aging workforce. Failure in attracting new joiners into the industry and ageing workforce have intensified the issue of labour shortage in Hong Kong. According to the

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Construction Industry Council, approximately 43.1% of the 466,737 registered workers who have been in the construction industry were aged over 50 as of March 2018. With the lack of sufficient construction workers, especially those with experience and skills, the probability of project delays will increase while the quality of works may decrease, potentially posing impacts to the development of the foundation and site formation industry and the general building works industry.

Increasing operation cost due to labour shortage

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

Impacts of the filibustering

Filibusters have been staged during Legislative Council's scrutiny of the Appropriation Bills as well as other bills and public funds, such as the annual expenditure on public and private works, hindering the development of the construction industry in Hong Kong in the recent years. Numerous infrastructure projects were suspended due to the pending approval of funding resulted from the filibuster during 2012 to 2017. The prolonged approval of Government funding results in delays of project commencement, especially projects in the public sector, and may lead to fewer business opportunities in the industry, which deter new entrants to enter the market and hinder the future development of the industry.

OUR COMPETITIVE STRENGTHS

Please refer to the section headed "Business – Our competitive strengths" in this prospectus for a detailed discussion.

REGULATORY OVERVIEW

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

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment as defined under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

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

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to

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

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (equivalent to 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 subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be; or (ii) deduct by way of setoff the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

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 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to

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

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (equivalent to HK\$ 100,000) and imprisonment for 2 years.

LAWS AND REGULATIONS IN RELATION TO CONTRACTOR LICENSING AND REGISTRATION

General Building Contractor and Specialist Contractor

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

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

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

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

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

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

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

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

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

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as the authorized signatory (the “**Authorized 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;
 - (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 Authorized Signatory and other personnel;

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

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- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works, another officer as authorised by the board of directors shall be appointed to assist the Technical Director.

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

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

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

Approved Public Works Contractors List maintained by the Development Bureau

In order to tender for public sector projects, a contractor should be accepted on the Approved Public Works Contractors List maintained by the Development Bureau. The Approved Public Works Contractors List comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works; i.e. (1) “buildings”, (2) “port works”, (3) “roads and drainage”, (4) “site formation” and (5) “waterworks”. Although approvals granted by the Development Bureau are not subject to renewal, approved contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their appropriate category to maintain their status on the approved lists and for the award of public works contracts. The Development Bureau may take regulatory actions, such as removal, suspension, downgrading, against approved contractors under certain circumstances.

Audited accounts of the approved contractors are submitted to the Development Bureau annually (a Group C contractor is also required to submit half-yearly management accounts), and may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements set out by the Development Bureau. If an approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by the Development Bureau against such approved contractor.

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Generally, there are three groups in each of the five major categories of building and civil engineering works (arranged in ascending order): Group A (except that there are no Group A in port works and site formation categories), Group B and Group C. Each group has its particular tendering limits. The following table sets out the value of works for which contractors in the respective categories and statuses may tender in the capacity of a main contractor:

Category	Authorised contract value
Group A (probationary status)	Any number of Group A contracts in the same category, provided the total value of works in the Group A contracts that he already holds and the Group A contract being procured under the same category does not exceed HK\$100 million
Group A (confirmed status)	Contracts of value up to HK\$100 million
Group B (probationary status)	(i) any number of Group A contracts in the same category; and (ii) any number of Group B contracts in the same category, provided the total value of works in the Group B contracts that he already holds and the Group B contract being procured under the same category does not exceed HK\$300 million
Group B (confirmed status)	Contracts of value up to HK\$300 million
Group C (probationary status) <i>(Note)</i>	the total number of Group C contracts that the contractor already holds and the Group C contract being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$700 million
Group C (confirmed status) <i>(Note)</i>	Contracts of any values exceeding HK\$300 million

Note: Group C contractors will normally not be allowed to tender for contracts in Group A and Group B

As at the Latest Practicable Date, Po Shing Construction is a contractor on the Approved Public Works Contractors List under Group A (Probation) in the Buildings category. Upon Listing, Po Shing Construction intends to apply for admission as a Group B (Probation) contractor in the Approved Public Works Contractors List in the Buildings category.

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Contractors are required to meet the financial, technical, management, personnel and safety criteria applicable to their respective category and group for admission and retention on the approved lists and for the award of public works contracts. Audited accounts of the approved contractors are required to be submitted to the Development Bureau annually, which may be produced to relevant Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the Development Bureau. If any approved contractor fails to meet the capital requirements as set out in a particular category, it will not be eligible to tender for any contract in that category. In the event that the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the Development Bureau against such approved contractor.

Set out below are the minimum financial criteria and other requirements which a contractor is required to meet for admission on the Approved Public Works Contractors List in the Group B Buildings category via the direct entry route:

(a) Minimum employed capital

HK\$5.2 million plus HK\$2.9 million for every HK\$43 million of annualised outstanding works or part thereof above HK\$78 million, subject to a maximum of HK\$14.7 million

(b) Minimum working capital

HK\$5.2 million or 10% on annualised outstanding works, whichever is higher

(c) Minimum technical and management criteria

(i) registration with the Building Authority's register of general building contractors;

(ii) satisfactory completion of one building works contract within the past 5 years. The contract shall be of value over 70% of the Group B limit and comply with the requirements in relation to projects of considerable scope and complexity; and

(iii) experience as a subcontractor will be accredited subject to the sub-contract works covering building trades and complying with to requirements in relation to projects of considerable scope and complexity.

(d) Minimum number and qualifications of full time management and technical personnel

(i) At least one member of the top management shall have a minimum experience of three years, out of which two years shall be local experience, in managing a construction firm obtained in the past five years; and

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- (ii) At least one technical staff with a higher certificate in building studies/civil engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in building works; or an ordinary certificate in building studies/civil engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and three years local working experience in building works.

The Approved Specialist Contractors List

The Approved Specialist Contractors List comprises suppliers of materials and specialist contractors who are approved for supplying materials or carrying out public works in one or more of the 50 categories of specialist works classified by the Development Bureau of the Government. The scope of work under the category of “Landslip Preventive/ Remedial Works to Slopes/Retaining Walls” covers landslip preventive works, remedial works or formation works of slopes and/or retaining walls in areas immediately behind occupied structures, adjacent to railway lines or major trunk roads. Approved specialist contractors under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” can have either a probationary status or a confirmed status, where those with a probationary status may take on not more than two Government contracts tendered under the category with total outstanding value of works of not greater than HK\$114 million, and those with a confirmed status is not subject to such condition.

Contractors on the Approved Specialist Contractors List, unless suspended, may tender for public works contracts in the works categories, classes and groups for which they are approved. Fong On Construction is an approved specialist contractor included in the Approved Specialist Contractors List maintained by the Development Bureau under the category of “Landslip Preventive/Remedial Works to Slopes/Retaining Walls” with a probationary status.

For registration and retention on the Approved Specialist Contractors List, a contractor should generally possess at least a positive capital value and is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. Fong On Construction, which is admitted to the Approved Specialist Contractors List for landslip preventive/remedial works to slope/retaining walls with probationary status is required to meet (i) a minimum employed capital of HK\$8.6 million if there is no outstanding contracts; or (ii) a minimum working capital of HK\$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

Fong On Construction intends to apply for admission as an approved specialist contractor on the Approved Specialist Contractors List under the category of “Land Piling, Group II” for the following piling systems, including large diameter bored pile, rock-socketed steel H-pile in pre-bored hole and mini-pile upon Listing. A Contractor seeking for registration under “Land Piling, Group II” is required to provide the method statement, typical calculations, acceptable references and satisfactory demonstration on site in respect of each piling system. All approved specialist contractors under the category “Land Piling, Group II” are required to obtain a quality management systems certification in

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order to be retained on the Approved Specialist Contractors List. At least one member of the resident top management shall have a minimum of five years' local experience in managing a construction firm in the past eight years and at least two persons of the technical staff of the contractor must hold a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works. The contractor must also have at least completed (within the past five years) three medium size or large size local projects (over HK\$3.0 million each) for each of the relevant registered piling systems and experience as main contractor.

The admission and retention as well as the confirmed or probationary status with respect to the Approved Specialist Contractors List are currently subject to certain financial, technical and management criteria as stipulated in the Contractor Management Handbook – Revision B published by the Development Bureau. Registration under the Approved Specialist Contractors List (Land Piling – Group II) covers 12 kinds of piling systems, including, Barrette Pile, Large Diameter Bored Pile (with bell-out), Large Diameter Bored Pile, Minipile, Rock-socketed Steel H-pile in Pre-bored Hole, Hand Dug Caisson, Precast Concrete Pile, Precast Prestressed Tubular Pile (PPTP), Steel H Pile, Steel Tubular Pile, Non-PerCUSSION Cast-in-situ Concrete Pile and Percussion Cast-in-situ Concrete Pile. The requirements for registration under each kind of piling system are basically the same except the contractor seeking registration will have to provide the method statement, typical calculations, acceptance reference and satisfactory demonstration on site in respect of that particular kind of piling system. In granting admission to a contractor in the Approved Specialist Contractors List (Land Piling – Group II) via the direct entry route, the Development Bureau will take into consideration, amongst others, the following requirements:

- (a) Minimum technical and management criteria/other requirements
 - (i) A registered specialist contractor in the foundation sub-register under the Buildings Ordinance
 - (ii) possess quality management system certificates issued under the rules of The Hong Kong Certification Body Accreditation Scheme (HKCAS) operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS accreditation mark, and quality management system certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau.
 - (iii) The scope of certification shall be relevant to piling system under application
- (b) At least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years. Top management shall be the president, chairman, director, managing director, executive director or general manager, etc.
- (c) At least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works.

REGULATORY OVERVIEW

- (d) Experience as main contractor and at least three medium/large size local projects (of value above HK\$3 million each) were completed with good references within the past five years
- (e) Appropriate equipment for each system (at least one set for each system). The plant and equipment requirements are subject to modification as technology advances and as new plant emerge. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required
- (f) Local office required and yard facilities available (*Note*)
- (g) Piling system to be registered including method statement, typical calculations, acceptable reference and satisfactory demonstration on site

Note: No specification as to minimum size of the local office or yard facilities is set out in the Contractor Management Handbook Revision B.

Retention on the Approved Specialist Contractors List is not subject to regular renewal. However, if doubts arise about the ability of a contractor to meet the minimum standards generally or for a particular class of works, it may not be allowed to tender for any new work until it can demonstrate that it can meet the required standard. The Secretary for Development of the Government reserves the right to remove any contractor from the Approved Specialist Contractors List or take other regulatory actions against a contractor, as further discussed in the paragraph headed “Regulatory actions against contractors by the Development Bureau” below.

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 for employment of illegal workers, etc. For instance, according to the Technical Circular (Works) No. 3/2009 issued by the Development Bureau, 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.

During the Track Record Period and as at the Latest Practicable Date, our Group has not been subject to any regulatory action taken by the Development Bureau in relation to our registrations.

REGULATORY OVERVIEW

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

According to section 32 of the Construction Industry Council Ordinance, construction industry levy (“**CIL**”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance or any persons who carry out construction operations in Hong Kong to the CIC. “Construction operation” is exhaustively defined under Schedule 1 of the Construction Industry Council Ordinance, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

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

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

Pursuant to section 35 of the Construction Industry Council Ordinance, a contractor is required to give a Notice of Payment (“**NOP**”) in a specified form (Form 2) to the CIC within 14 days after the contractor receives a payment in respect of the construction operation. Failure to give the NOP without reasonable excuse may be liable to a fine at level 3, which is fixed at HK\$10,000.

Pursuant to section 36 of the Construction Industry Council Ordinance, a contractor is required to give a Notice of Completion (“**NOC**”) in a specified form (Form 3) to the CIC within 14 days after the completion of the construction operation. Failure to give the NOC without reasonable excuse may be liable to a fine at level 3, which is fixed at HK\$10,000.

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

As at the Latest Practicable Date, our Group has duly paid all relevant levies and has no contravention under the Construction Industry Council Ordinance.

REGULATORY OVERVIEW

Subcontractor Registration Scheme

Generally speaking, as long as the principal contractor holds all the required registrations necessary for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, subcontractors are required to register on the Subcontractor Registration Scheme at the Construction Industry Council (“SRS”, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) to participate in public projects. Pursuant to a WBDB technical circular dated on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works of CEDD) all capital works and maintenance works contracts of the Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are either registered from the respective trades available under the SRS, or will complete their registration before the execution of the relevant subcontracted works. As at the Latest Practicable Date, Fong On Geotechnics is registered under the SRS in the trade of general civil works and Po Shing Construction is registered under the SRS in the trades of structural and civil works, finishing works and electrical and mechanical works.

THE PROPOSED SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY

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

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

Under the current payment practices along the construction supply chain, many contracts include “pay when paid” or “pay when certified” clauses, where payment is conditional on the payer receiving payment from a third party or payment is contingent or conditional on the operation of another contract or agreement. This often resulted in actual durations taken for certification and settlement of progress payments and final account payments being longer than the due dates specified in contracts. Under the proposed legislation, parties undertaking construction activities or providing related services, materials and plant shall be entitled to claim a progress payment based on the value of their work, services or supply shall be based on any contract price or rates or other pricing agreed by the parties to the extent it can be reasonably applied or otherwise having regard to market rates or prices prevailing in the industry at the time the contract was entered into.

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

REGULATORY OVERVIEW

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

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

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

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

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

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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

Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area of the lot on which the construction waste has been deposited does not exceed 20 sq. m.; or (ii) the sole or all of the owners of the private lot has given valid permission for the depositing of construction waste on the lot.

REGULATORY OVERVIEW

Such permission must be in the specified form under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. Such acknowledgement must be submitted to the Environmental Protection Department at least 21 days before the intended date on which the depositing activity is to commence.

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

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

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

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

Prior notification must be given to the Environmental Protection Department by us as a waste producer of the chemical waste, and the disposal must be in accordance with the directions issued by the Environmental Protection Department specifying the appropriate disposal facility for the waste and the date and time when the delivery of such waste should be made. Any person authorised to be the applicant on our behalf as a body corporate who fails to register as a chemical waste producer commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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

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

REGULATORY OVERVIEW

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$100,000 for each day if the court is satisfied that the operation has continued.

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

Additionally, any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance with a maximum penalty of HK\$25,000 upon conviction and a daily fine of HK\$450. Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance, with a maximum penalty of HK\$10,000 upon conviction and a daily fine of HK\$200.

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

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

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

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

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

HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE HISTORY

The history of our Group's business can be traced back to 1989 when James Lau & Associates, the first member of our Group, was incorporated in Hong Kong in October 1989 by Dr. CW Lau to provide engineering consultancy services.

Our founders, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, brothers to each other, have further expanded our Group extending the scope of operations over the years. In September 1998, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Ms. Lau Wai Ling Josephine incorporated Fong On Construction and Fong On Geotechnics to carry out foundation, site formation and other constructions works. In January 2004, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau incorporated Po Shing Construction, which is principally engaged in general building works. Since then, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, each being a director and shareholder of our Group, had been jointly controlling and managing the operations of our Group by jointly making decisions as to the business and direction of our Group.

Throughout the years, we have successfully obtained a number of licences and qualifications. Fong On Construction is currently registered with the Buildings Department as a registered general building contractor and registered specialist contractor in the categories of foundation works, site formation works, ground investigation field works and demolition works. Fong On Construction is also on the Approved Specialist Contractors List in the landslip preventive/remedial works to slopes/retaining walls category (probationary status). Po Shing Construction is currently registered with the Buildings Department as a general building contractor. It is also a Group A (Probation) contractor on the Approved Public Works Contractors List in the Buildings category.

With the leadership and contributions of Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and other members of the management, our Group has become a reputable group with proven track records focusing on foundation, site formation and general building works in Hong Kong.

IMPORTANT BUSINESS MILESTONES

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

Year	Event
1989	James Lau & Associates was incorporated for its operations in providing engineering consultancy services in Hong Kong
1998	Fong On Construction was incorporated for its operations in providing foundation, site formation and other construction works
1998	Fong On Geotechnics was incorporated for its operations in providing general civil works

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2003	Fong On Construction was registered with the Buildings Department as a registered general building contractor and a registered specialist contractor in the categories of foundation works, site formation works, ground investigation field works and demolition works
2004	Po Shing Construction was incorporated for its operations in providing general building works
2005	James Lau & Associates was awarded The Hong Kong Institute of Architects Special Architectural Award – Heritage (Geotechnical Consultant)
2005	Po Shing Construction was registered with the Buildings Department as a registered general building contractor
2006	Fong On Geotechnics was registered as a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council
2014	Po Shing Construction was registered as a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council
2014	Po Shing Construction was admitted as an approved contractor under the Approved Public Works Contractors List in the Buildings category – Group A (probationary status)
2016	James Lau & Associates was appointed as independent checking consultant for the design of the bamboo pavilion at the Zero Carbon Building
2017	James Lau & Associates was conferred with a Merit Award for Architecture 2017 by The American Institute of Architects – Hong Kong Chapter as Structural Engineer

OUR GROUP

Our Company has four directly owned subsidiaries incorporated in the BVI and four indirectly owned subsidiaries incorporated in Hong Kong. Details of the members of our Group and their respective corporate history are set out below.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 January 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. On 3 January 2018, one fully paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Elite Bright on 3 January 2018.

Immediately after completion of the Reorganisation, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiaries of our Group, namely James Lau & Associates, Po Shing Construction, Fong On Geotechnics and Fong On Construction.

OUR SUBSIDIARIES

James Lau & Associates

James Lau & Associates was incorporated in Hong Kong with limited liability on 6 October 1989 with an initial share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 6 October 1989, 8,000 and 2,000 shares of James Lau & Associates were allotted and issued to Dr. CW Lau and Mr. Edward Shen, an Independent Third Party, respectively. On 5 December 1990, 2,000 and 2,000 shares of James Lau & Associates were allotted and issued to Mr. CM Lau and Dr. CK Lau, respectively. On the same day, 1,000, 1,000, 250 and 250 shares were allotted and issued to Mr. Ng Wong Kwong, Mr. Luk Wang Kwong, Mr. Lau Kin Sun and Mr. So Wing Luen (each an Independent Third Party), respectively. On 14 March 1991, Mr. Edward Shen transferred 2,000 shares in James Lau & Associates at nominal value to Mr. Luk Wah Shing, the brother-in-law of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. On 13 May 1992, Dr. CK Lau transferred 500 shares in James Lau & Associates to Mr. Luk Wah Shing, the brother-in-law of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, at nominal value. On the same day, Mr. So Wing Luen transferred 250 shares (representing his entire shareholding in James Lau & Associates) to Mr. Lau Kin Sun. On 14 May 1992, 500 and 1,500 shares were allotted and issued to Mr. Lau Kin Sun and Mr. Ng Wong Kwong, respectively. On 5 May 1994, Mr. Lau Kin Sun transferred 1,000 shares (representing his entire shareholding in James Lau & Associates) to Dr. CW Lau at nominal value. On 13 December 1995, Mr. Ng Wong Kwong transferred 1,000 and 1,500 shares in James Lau & Associates at nominal value to Mr. CM Lau and Dr. CK Lau, respectively. Upon the aforesaid transaction, James Lau & Associates was owned as to 48.65% by Dr. CW Lau, 16.22% by Mr. CM Lau, 16.22% by Dr. CK Lau, 13.51% by Mr. Luk Wah Shing and 5.41% by Mr. Luk Wang Kwong. On 14 July 2017, Dr. CW Lau transferred 2,000 shares to each of Mr. CM Lau and Dr. CK Lau at nominal value. After the aforesaid transfers, James Lau & Associates was owned as to 27.03% by Dr. CW Lau, 27.03% by Mr. CM Lau, 27.03% by Dr. CK Lau, 13.51% by Mr. Luk Wah Shing and 5.41% by Mr. Luk Wang Kwong, respectively.

As part of the Reorganisation, on 19 December 2017, Mr. Luk Wah Shing transferred 2,500 shares in James Lau & Associates to Mass Strength at a nominal consideration of HK\$50,000 which was determined with reference to the nominal cost of the initial

HISTORY, DEVELOPMENT AND REORGANISATION

investment and the limited contribution or involvement of Mr. Luk Wah Shing in James Lau & Associates at the relevant time. On 18 January 2018, Mr. Luk Wang Kwong transferred 1,000 shares in James Lau & Associates to Mass Strength at a nominal consideration of HK\$50,000 which was determined with reference to the nominal cost of the initial investment and the limited contribution or involvement of Mr. Luk Wang Kwong in James Lau & Associates at the relevant time.

As part of the Reorganisation, on 18 January 2018, each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau transferred 5,000 shares in James Lau & Associates (representing their entire shareholdings in James Lau & Associates) to Mass Strength, respectively, in consideration of which Mass Strength allotted and issued an aggregate of 99 Shares, credited as fully paid, to Elite Bright.

After the aforesaid transfer of shares, James Lau & Associates became a direct wholly-owned subsidiary of Mass Strength.

James Lau & Associates principally provides construction related consultancy services.

Fong On Construction

Fong On Construction was incorporated in Hong Kong with limited liability on 18 September 1998 with an issued share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. On 18 September 1998, 51,000, 24,000, 24,000 and 1,000 shares were allotted and issued to Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Ms. Lau Wai Ling Josephine (sister of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau), respectively. On 7 April 2010, Fong On Construction resolved to increase its authorised share capital to HK\$8,600,000 divided into 8,600,000 shares of HK\$1.00 each. On the same day, 8,500,000 shares were allotted and issued to Po Shing Construction. On 21 June 2016, Fong On Construction resolved to further increase its authorised share capital to HK\$8,600,001 divided into 8,600,001 shares of HK\$1.00 each. On the same day, one share was allotted and issued to Dr. CK Lau, and Po Shing Construction transferred 2,815,667, 2,842,667 and 2,841,666 shares (together representing its entire shareholding in Fong On Construction), to Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, respectively, at nominal value. On the same day, Ms. Lau Wai Ling Josephine transferred 1,000 shares of Fong On Construction (representing her entire shareholding in Fong On Construction) to Dr. CK Lau at nominal value. Upon the aforesaid transfers, Fong On Construction was owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shareholdings.

As part of the Reorganisation, on 31 January 2018, each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau transferred 2,866,667 shares in Fong On Construction (together representing its entire issued share capital) to Peaceful Fluent in consideration of which Peaceful Fluent allotted and issued an aggregate of 99 shares, credited as fully paid, to Elite Bright.

After the aforesaid transfer of shares, Fong On Construction became a direct wholly-owned subsidiary of Peaceful Fluent.

Fong On Construction principally provides foundation and site formation works, slope works and demolition works.

HISTORY, DEVELOPMENT AND REORGANISATION

Fong On Geotechnics

Fong On Geotechnics was incorporated in Hong Kong with limited liability on 18 September 1998 with an issued share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. On 18 September 1998, 51,000, 24,000, 24,000 and 1,000 shares were allotted and issued to Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Ms. Lau Wai Ling Josephine, respectively. On 14 July 2017, Fong On Geotechnics resolved to increase its issued share capital to HK\$100,020 divided into 100,020 shares of HK\$1.00 each and allotted and issued 20 shares in Fong On Geotechnics to Dr. CK Lau. On the same day, Ms. Lau Wai Ling Josephine transferred 1,000 shares in Fong On Geotechnics (representing her entire shareholding in Fong On Geotechnics) to Dr. CK Lau at nominal value. On the same day, Dr. CW Lau transferred 9,340 and 8,320 shares in Fong On Geotechnics to Mr. CM Lau and Dr. CK Lau at nominal value, respectively. Upon the aforesaid share transfers, Fong On Geotechnics was owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shareholdings.

As part of the Reorganisation, on 31 January 2018, each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau transferred 33,340 shares in Fong On Geotechnics (together representing its entire issued share capital) to Precious Castle, in consideration of which Precious Castle allotted and issued an aggregate of 99 shares, credited as fully paid, to Elite Bright.

After the aforesaid transfer of shares, Fong On Geotechnics became a direct wholly-owned subsidiary of Precious Castle.

Fong On Geotechnics principally provides slope works.

Po Shing Construction

Po Shing Construction was incorporated in Hong Kong with limited liability on 27 January 2004 with an issued share capital of HK\$2.00 divided into two shares of HK\$1.00 each. On the same day, one and one share was allotted and issued to the two initial subscribers, respectively. On 29 January 2004, each of the two initial subscribers transferred one and one share to Dr. CW Lau and Mr. CM Lau, respectively. On the same day, Po Shing Construction allotted and issued one share to Dr. CK Lau. On 11 November 2014, Po Shing Construction resolved to increase its issued share capital to HK\$2,100,003 divided into 2,100,003 shares of HK\$1.00 each, out of which 700,000 shares were allotted and issued to each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Upon the aforesaid allotment and issue of shares, Po Shing Construction was owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shareholding.

As part of the Reorganisation, on 31 January 2018, each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau transferred 700,001 shares in Po Shing Construction (together representing its entire issued share capital) to Bright Dance, in consideration of which Bright Dance allotted and issued an aggregate of 99 shares, credited as fully paid, to Elite Bright.

After the aforesaid transfer of shares, Po Shing Construction became a direct wholly-owned subsidiary of Bright Dance.

HISTORY, DEVELOPMENT AND REORGANISATION

On 17 July 2018, Po Shing Construction resolved to increase its issued share capital by HK\$99,999 by the allotment and issue of an additional 99,999 shares of HK\$1.00 each to Bright Dance.

Po Shing Construction principally provides general buildings works and alteration and addition works.

Bright Dance

Bright Dance was incorporated in the BVI with limited liability on 25 October 2017, and is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each. On 14 December 2017, 999 shares of Bright Dance, representing the entire issued shares of Bright Dance at the relevant time, were allotted and issued to Elite Bright. Bright Dance is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

Mass Strength

Mass Strength was incorporated in the BVI with limited liability on 25 October 2017, and is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each. On 14 December 2017, 999 shares of Mass Strength, representing the entire issued shares of Mass Strength at the relevant time, were allotted and issued to Elite Bright. Mass Strength is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

Peaceful Fluent

Peaceful Fluent was incorporated in the BVI with limited liability on 25 October 2017, and is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each. On 14 December 2017, 999 shares of Peaceful Fluent, representing the entire issued shares of Peaceful Fluent at the relevant time, were allotted and issued to Elite Bright. Peaceful Fluent is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

Precious Castle

Precious Castle was incorporated in the BVI with limited liability on 25 October 2017, and is authorised to issue a maximum of 50,000 shares of par value US\$1.00 each. On 14 December 2017, 999 shares of Precious Castle, representing the entire issued shares of Precious Castle at the relevant time, were allotted and issued to Elite Bright. Precious Castle is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

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

1. Incorporation of Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle

On 25 October 2017, each of Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each, respectively. 999 shares in each of Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle (representing the entire issued shares of each of the aforementioned companies, respectively), were allotted and issued at par to Elite Bright on 14 December 2017, respectively.

2. Incorporation of Elite Bright

On 31 October 2017, Elite Bright was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. 10,000, 10,000 and 10,000 shares of Elite Bright, together representing the entire issued shares of Elite Bright, were allotted and issued at par to each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau on 14 December 2017, respectively.

3. Incorporation of our Company

On 3 January 2018, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. On 3 January 2018, one fully paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Elite Bright on the same day.

4. Acquisition of James Lau & Associates, Fong On Construction, Fong On Geotechnics and Po Shing Construction

- (i) On 19 December 2017, Mass Strength acquired 2,500 shares in James Lau & Associates from Mr. Luk Wah Shing at a consideration of HK\$50,000. On 18 January 2018, Mass Strength acquired the remaining issued share capital in James Lau & Associates, acquiring (a) 1,000 shares in James Lau & Associates from Mr. Luk Wang Kwong at a consideration of HK\$50,000 and (b) collectively 15,000 shares in James Lau & Associates from Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Upon the acquisitions, James Lau & Associates became a direct wholly-owned subsidiary of Mass Strength.
- (ii) On 31 January 2018, Peaceful Fluent acquired the entire issued share capital in Fong On Construction, acquiring collectively 8,600,001 shares from Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Upon the acquisition, Fong On Construction became a direct wholly-owned subsidiary of Peaceful Fluent.

HISTORY, DEVELOPMENT AND REORGANISATION

- (iii) On 31 January 2018, Precious Castle acquired the entire issued share capital in Fong On Geotechnics, acquiring collectively 100,020 shares from Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Upon the acquisition, Fong On Geotechnics became a direct wholly-owned subsidiary of Precious Castle.
- (iv) On 31 January 2018, Bright Dance acquired the entire issued share capital in Po Shing Construction, acquiring collectively 2,100,003 shares from Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Upon the acquisition, Po Shing Construction became a direct wholly-owned subsidiary of Bright Dance.

5. Acquisition of Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle

On 17 September 2018, our Company acquired the entire issued shares in Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle, respectively, from Elite Bright (as vendor and warrantor) in consideration of which our Company allotted and issued 9,999 Shares, credited as fully paid, to Elite Bright. After the aforesaid transaction, our Company became the holding company of Bright Dance, Mass Strength, Peaceful Fluent, Precious Castle, James Lau & Associates, Fong On Construction, Fong On Geotechnics and Po Shing Construction.

6. Capitalisation Issue and Share Offer

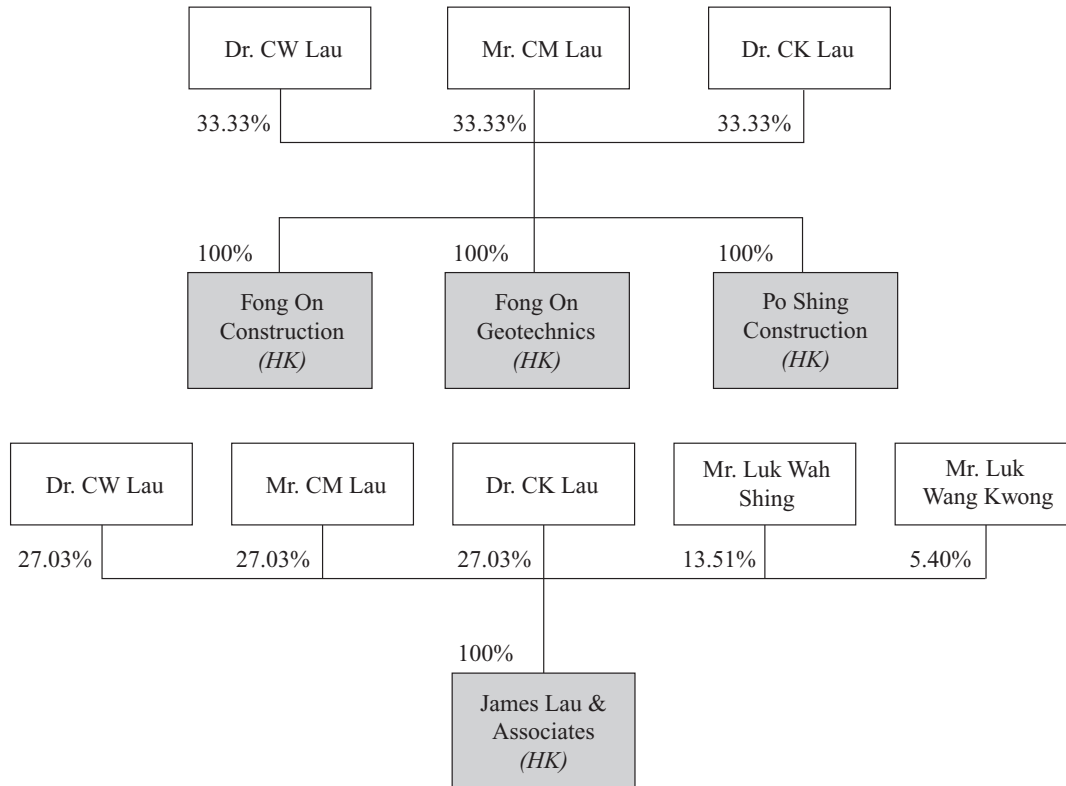
On 17 September 2018, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of par value HK\$0.01 each, in order to be positioned to allot and issue (i) 599,990,000 Shares to the sole Shareholder of our Company; and (ii) 200,000,000 new Shares for the Share Offer.

Our Company will offer 20,000,000 new Shares under the Public Offer for subscription by the public of Hong Kong and 180,000,000 new Shares under the Placing, representing a total of 25% of the enlarged share capital of our Company upon Listing.

HISTORY, DEVELOPMENT AND REORGANISATION

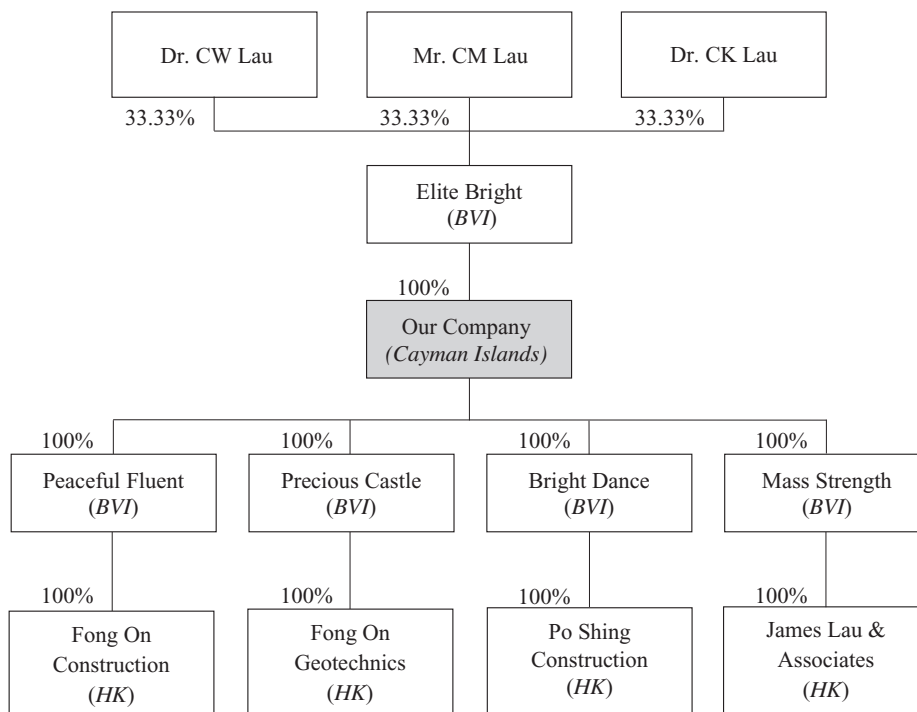
THE CORPORATE STRUCTURE OF OUR GROUP

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

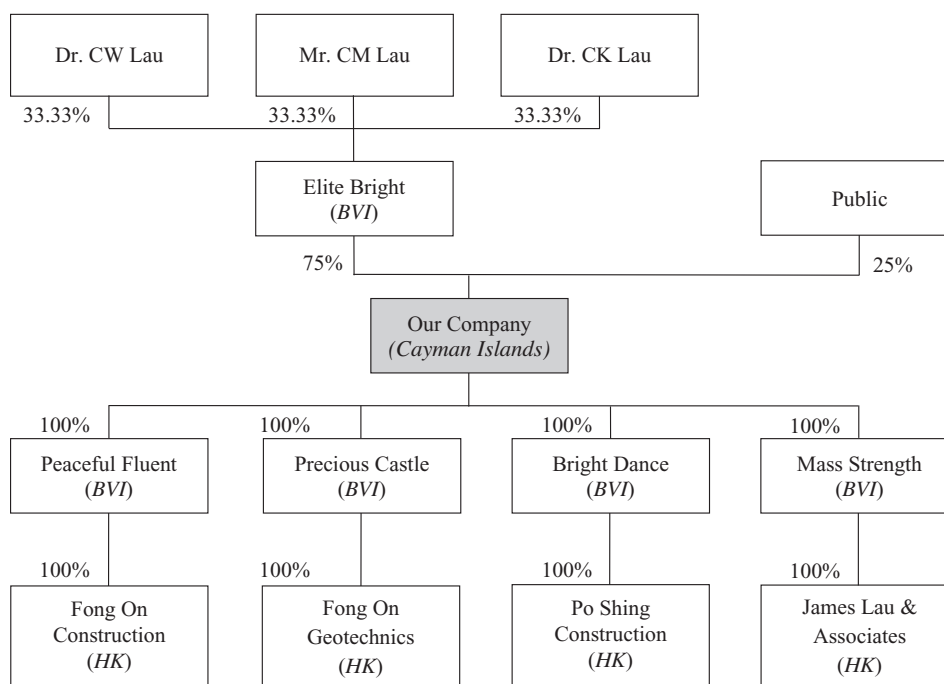


HISTORY, DEVELOPMENT AND REORGANISATION

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



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



BUSINESS

OVERVIEW

We are a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, and alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. Besides construction, we also provide construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

We have built up our reputation through over 20 years of experience in the construction industry. During the Track Record Period and up to the Latest Practicable Date, we had completed over 100 construction projects with an aggregate contract sum of approximately HK\$971.0 million. As at the Latest Practicable Date, we have 34 construction projects on hand (including projects in progress and projects yet to commence) with a total contract sum of approximately HK\$1,161.2 million. Our construction projects on hand are expected to be completed during the period from October 2018 to February 2020. For details of our projects, please refer to the paragraph headed “Our construction projects” in this section. Relying on our technical expertise and knowledge in the construction industry, we also provided consultancy services to a number of customers in various construction projects and dispute cases.

Our Group has generated revenue of approximately HK\$390.4 million, HK\$427.0 million, HK\$359.3 million and HK\$189.2 million for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively. The following table sets forth a breakdown of our revenue by types of works and services during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Construction										
Foundation and site formation works	148,981	38.2	252,447	59.1	131,784	36.7	81,605	44.9	63,902	33.8
General building works and associated services	186,494	47.8	137,488	32.2	172,538	48.0	74,389	40.9	79,664	42.1
Other construction works	44,622	11.4	25,313	5.9	40,647	11.3	20,185	11.1	40,631	21.4
	380,097	97.4	415,248	97.2	344,969	96.0	176,179	96.9	184,197	97.3
Consultancy	10,326	2.6	11,703	2.8	14,342	4.0	5,640	3.1	5,036	2.7
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

BUSINESS

During the Track Record Period, for our construction projects, we mainly focused on the overall management of the projects, including the planning and devising of detailed work programmes, the engineering design and technical submission, and we delegated to and coordinated with our subcontractors to perform the relevant construction works under our supervision and quality control. We primarily acted as main contractor serving customers who are mainly property developers or project owners in the private sector, while we also undertook projects from the public sector for Government departments and statutory bodies. We also acted as subcontractor providing construction services to other contractors and assisting them in managing the projects. Furthermore, we acted as consultant providing consultancy services to project owners or the appointed persons of the project owners in construction projects.

The following table sets forth a breakdown of our revenue by sector during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Private sector	284,201	72.8	265,292	62.1	187,329	52.1	109,236	60.1	157,460	83.2
Public sector	106,222	27.2	161,659	37.9	171,982	47.9	72,583	39.9	31,773	16.8
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

The following table sets forth a breakdown of our revenue by reference to our role in our projects during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Main contractor	281,574	72.2	257,515	60.3	182,777	50.9	106,298	58.5	158,401	83.7
Subcontractor	98,523	25.2	157,733	36.9	162,192	45.1	69,881	38.4	25,796	13.6
Consultant	10,326	2.6	11,703	2.8	14,342	4.0	5,640	3.1	5,036	2.7
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

We maintain a team of professional and experienced staff who have the requisite skills and experience to handle foundation and site formation works, general building works and associated services, other construction works, and consultancy services of high complexity. As at the Latest Practicable Date, we had 18 project management, design and engineering staff to manage and carry out our construction works and services.

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Our Group possess the qualifications to provide a wide range of construction services to our customers. We are a registered specialist contractor in the categories of foundation works, site formation works, ground investigation works and demolition works and as a registered general building contractor with the Buildings Department of Hong Kong. We are also included on the Approved Public Works Contractors List under Group A (Probation) in the buildings category and the Approved Specialist Contractors List on probation any status for landslip preventive/remedial works to slopes/retaining walls. In addition, we are a registered subcontractor with the Construction Industry Council in a number of trade specialties under structural and civil works, finishing works and electrical and mechanical works.

According to the Ipsos Report, the Government's initiatives to increase land supply for residential and commercial use and the large-scale infrastructure projects will continue to drive growth in the construction industry in the foreseeable future, and the demand for construction service is forecasted to rise continually. In view of the aforesaid, our Directors are of the view that the demand for our construction works and services in Hong Kong will remain robust in the coming years.

OUR COMPETITIVE STRENGTHS

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

We have established reputation and a proven track record

Our Group has more than 20 years of experience in the construction industry in Hong Kong. We have undertaken a number of foundation and site formation projects and general building works projects of various nature, including offices, hotels, schools, industrial buildings and private residential buildings in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had completed over 100 construction projects with an aggregate contract sum of approximately HK\$971.0 million. As at the Latest Practicable Date, we have 34 construction projects on hand (including projects in progress and projects yet to commence) with a total awarded contract sum of approximately HK\$1,161.2 million. Our Directors believe that our long term presence in the construction industry in Hong Kong together with our proven track record during that time have enabled us to develop a good reputation and earned us trust from our customers in our ability to deliver quality works in a timely and satisfactory manner. For details, please refer to the paragraph headed "Our construction projects" in this section.

We possess a wide range of qualifications to undertake a range of construction projects in the public and private sectors

We are a registered specialist contractor in the categories of foundation, site formation, ground investigation and demolition works and a registered general building contractor with the Buildings Department. We are also included on the Approved Public Works Contractors List under Group A (Probation) in the buildings category and the Approved Specialist Contractors List on probation for landslip preventive/remedial works to slopes/retaining walls. In addition, we are a registered subcontractor with the Construction Industry Council

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in a number of trade specialties under structural and civil works, finishing works and electrical and mechanical works. For details of our registrations and certifications, please refer to the paragraph headed “Major qualifications, licences and certifications” in this section.

Our Directors believe that our qualifications in the construction industry allow us to provide a wide range of construction services to our customers and give us a competitive edge in bidding for projects which require the range of services which can be offered by our Group. Our Directors also believe that our qualifications enable us to be the main contractor for a wide spectrum of construction services which is value added to our customers as time can be saved for different contractors of different trades to take possession of the construction sites.

We have an experienced and professional management team

We have an experienced and dedicated management team which has extensive operational expertise and understanding of the construction industry in Hong Kong and are highly educated, allowing us to anticipate market trends and position and lead our Group to develop for the future and tackle challenges. Our executive Directors, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are not only equipped with sound technical knowledge from their education and professional qualifications, but also have approximately 50, 37 and 40 years of practical experience respectively in the construction industry. Our senior management, Mr. Wong Kai Wa, Mr. Mok Kwai Hing and Mr. Fong Pak Tong are also highly experienced in construction, project management and execution, consultancy and engineering design with more than 25 years of experience. For details of the qualifications and experience of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus. Their qualifications and leadership have facilitated our Group in formulating business strategies and competitive tenders which are essential to us securing new business. Their technical know-how and industry knowledge acquired and accumulated over the years have also assisted us in carrying out efficient management of project works and to cope with uncertainties encountered during the projects’ operation. We believe that our experienced and professional management team is an invaluable asset of our Group and will continue to contribute to our business development and future prospects.

We have the design capability to undertake design and build contracts and provide design consultancy services

In addition to construction project execution, we possess an experienced technical team with knowledge, professional qualification and experience in construction design led by our executive Directors and senior management. As at the Latest Practicable Date, our Group has 15 in-house engineers, three of whom are registered professional engineers, responsible for preparing engineering designs tailored for the conditions and limitations of different sites and the requirements of our customers. Backed by our technical expertise and knowledge, we are capable of taking a pragmatic approach and adopting cost efficient objective in formulating structural design and construction methods as well as determining construction materials with an aim of submitting competitive tenders for design and build contracts. In addition, our design capability has also enabled us to provide consultancy services on

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foundation and building design to the property owners or their appointed persons. According to the Ipsos Report, the contractors which have the capability to tender for design and build contracts are generally more competitive in the construction industry.

BUSINESS STRATEGIES

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

Apply for additional licences and capture more sizeable projects

During the Track Record Period, although our Group has been more focused in undertaking construction projects in the private sector, our Directors believe that it would be beneficial for our Group to expand our business and capture the growing business opportunities in the public sector in light of the expected increase in new infrastructure and building projects initiated by the Government in the coming years as indicated in the Ipsos Report.

The capacity of our Group in undertaking such construction projects depends on the possession of (i) the necessary licences for tendering public sector projects; and (ii) the amount of available working capital and cash flow as it is common in the construction industry that we incur advanced payments to our Group's subcontractors and suppliers before we receive payments from our customers. In order to further develop our business in the public sector, we intend to apply for additional licences and strengthen our available financial resources to position ourselves to tender for more sizeable projects in the public sector as a main contractor.

Upon Listing, we intend to apply for admission (i) as an approved contractor under the Group B (Probation) Approved Public Works Contractors List in the buildings category, pursuant to which our Group will be eligible to tender for any number of Group A contracts and Group B contracts of value up to HK\$300 million, as compared to the eligibility to tender for Group A contracts of value up to HK\$100 million for approved contractors under the Group A (Probation) list which our Group is currently on list, in order to participate more actively in tendering for public projects with larger contract sum as a main contractor; and (ii) as an approved specialist contractor under the Group II Land Piling category for large diameter bored pile, rock-socketed steel H-pile in pre-bored hole and mini-pile in the Approved Specialist Contractors List in which our Group will be eligible to tender for foundation contracts of unlimited value to expand our portfolio of public sector works.

To be eligible for admission as an approved contractor on the Group B (Probation) Approved Public Works Contractors List in the buildings category via the direct entry route, the contractor should meet the specific requirements as set out in the Contractor Management Handbook published by the Development Bureau, including (i) satisfactory employed capital and working capital requirements; (ii) registration with the Building Authority's register of general building contractors; (iii) appropriate proven work record; and (iv) possession of adequate qualified managerial, supervisory and operational staff.

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As at the Latest Practicable Date, to the best knowledge of our Directors, Po Shing Construction fulfilled the requirements mentioned in (ii) and (iv) above. For the capital requirements mentioned in (i) above, we plan to increase Po Shing Construction's employed capital and working capital by utilising a portion of the net proceeds from the Share Offer, details of which are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus, and our Directors expect that the work experience requirement mentioned in (iii) above will be fulfilled by August 2019 upon completion of the school redevelopment at Kowloon (Project 1506). After taking into consideration the above, to the best of their knowledge, our Directors are not aware of any barriers that would significantly prevent us from attaining the approval from WBDB in relation to the application for admission to the Group B (Probation) contractor on the Approved Public Works Contractors List in the Buildings category.

In addition, to be eligible for admission as an approved contractor on the Approved Specialist Contractors List under the Group II Land Piling category via the direct entry route, the contractor shall meet the specific requirements as set out in the Contractor Management Handbook published by the Development Bureau, including (i) satisfactory employed capital and working capital requirement; (ii) appropriate proven work record; (iii) registration with the Building Authority's register of specialist contractor in the category of foundation works; (iv) possession of quality management system certificates relevant to the piling system; (v) possession of adequate qualified managerial, supervisory and operational staff; (vi) ownership of appropriate equipment; and (vii) presence of local office and availability of yard facilities which generally refer to owned or rented land property for machinery storage purpose.

As at the Latest Practicable Date, to the best knowledge of our Directors, Fong On Construction fulfilled the requirements mentioned in (iii), (iv) and (v) above. For the capital requirements mentioned in (i) above, we plan to increase Fong On Construction's employed capital and working capital by utilising a portion of the net proceeds from the Share Offer. For the work record requirement mentioned in (ii) above, Fong On Construction fulfilled the requirement for large diameter bored pile and rock-socketed steel H-pile in pre-bored hole categories, and is expected to fulfil that for mini-pile upon completing two more mini-piling projects by December 2019. For the equipment requirement mentioned in (vi) and the yard facilities requirement mentioned in (vii) above, we plan to utilise a portion of the net proceeds from the Share Offer to purchase additional machinery and acquire a piece of land for machinery storage. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. After taking into consideration the above, to the best of their knowledge, our Directors are not aware of any barriers that would significantly prevent us from attaining the approval from WBDB in relation to admission as an approved contractor on the Group II Land Piling category in the Approved Specialist Contractors List.

In relation to the minimum capital requirements for admission as an approved contractor under the Group B (Probation) Approved Public Works Contractors List in the Buildings category and the Approved Specialist Contractors List under the Group II Land Piling category, our Directors consider that sufficient financial resources available to our Group are essential to operate construction projects, and our ability to grasp growing business opportunities is constrained by our current financial capacity as large scale projects will usually require upfront cash outflows for the payment of preliminary works, materials,

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insurance as well as taking out performance bonds. It is one of our business strategies to undertake more large scale projects and expand our market share. As undertaking sizeable projects, in our Directors' view, is a reasonable and practical way to achieve business growth and improve results of operations and management resources can be more efficiently allocated among fewer large scale projects than among many small projects that can make up the same project sum, the application for the admission as an approved contractor under Group B (Probation) Approved Public Works Contractors List in the Buildings category will fit our business strategy given that a Group B (Probation) contractor can hold any number of Group A contracts in the Buildings category and total value of works in the Buildings category in Group B can be up to HK\$300 million. Our Directors consider that we need additional funding to fulfill the minimum capital requirements and meet the liquidity needs if we are to expand our business. For details, please also refer to the section headed "Future Plans and Use of Proceeds – Reasons for the Listing – Accelerate the implementation of our business strategies" in this prospectus.

Strengthen our financial capacity and expand our market share

We plan to continue to strengthen our financial capability in undertaking more large scale construction projects in Hong Kong. According to the Ipsos Report, the revenue of the construction industry in Hong Kong is expected to grow at a CAGR of approximately 3.0% from 2018 to 2021, supported by the public infrastructure projects and the Government's initiatives to increase housing supply. As such, our Directors are of the view that the demand for our construction services is well supported. However, our Group has to be financially prepared to take on extra projects. It is common for our projects to incur upfront set up costs and expenses for our suppliers and subcontractors before substantial value of work is certified by our customer. In particular, our Directors consider that sizeable projects with huge project sum usually have longer contract period and their cash inflows are expected to take longer time than projects with shorter contract period. Further, for construction projects in Hong Kong, it is common that the main contractor is required to take out surety bonds in the amount equal to a certain percentage (usually 10%) of the contract sum to the customers to ensure the contractor's due performance and observance of the contract. Such amounts are generally released only after the contract is practically completed. Therefore, our capacity to undertake extra projects was often constrained by our sizeable projects on hand. Upon Listing, the net proceeds from the Share Offer will strengthen our financial resources and we will utilise part of the net proceeds to finance the upfront costs of our projects. Our Directors are of the view that our capacity will effectively be increased as we will be able to undertake more sizeable projects concurrently. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

Strengthen our manpower and enhance our project management capability

As we further expand our business and capture more sizeable projects, we will need additional project managers and engineers, quantity surveyors, safety officers and site foreman with appropriate knowledge, qualification and experience to oversee and execute the daily operations of our projects as well as meet the relevant requirements set by government authorities. Our Directors consider that our reputation has been built on years of satisfactory

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construction management services we provided to our customers and in order to continually deliver quality works, we intend to expand our manpower by recruiting project management and support staff to cope with our business development.

For further details on the implementation of our business strategies, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

OUR SERVICES

Set forth below is a brief overview of the major types of works and services provided by us during the Track Record Period:

Foundation and site formation works

Foundation is built to support the superstructure. Quality of foundation works is essential to the structural stability of buildings, all loads from the superstructure (including the dead weights and the live loads) are transferred down to the foundation. Foundation works that our Group is capable of undertaking include construction of bored piles, driven H-piles, socketed H-piles, mini-piles, and pile caps construction. The choices of piles depend on various factors, including the nature of the sub-soil, the type and depth of the piles to be installed, the layout of the construction structure, and the conditions of sites.

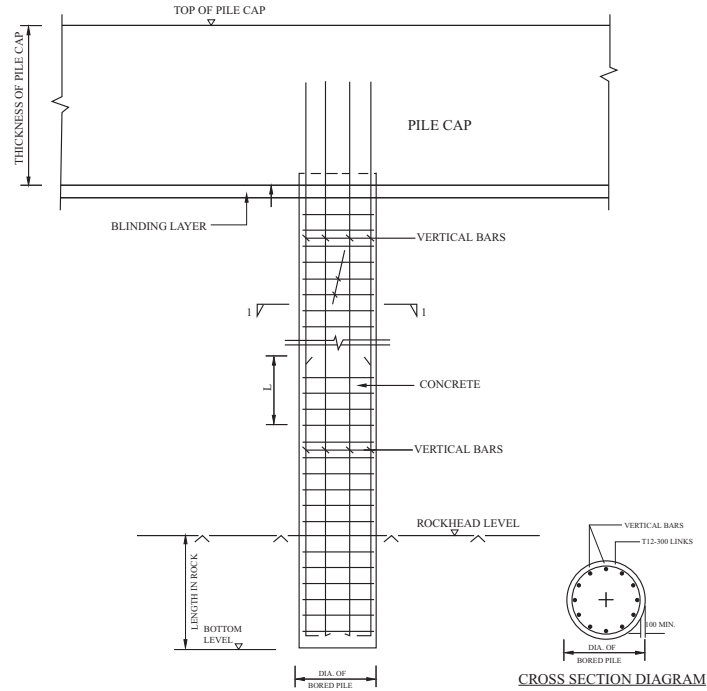
Site formation works are performed to prepare a piece of land in order to (i) accommodate buildings or other facilities which will be constructed within the area of the land; (ii) form the land to the required orientation, shape or levels; and (iii) provide the required support infrastructures, including access roadways, drainage and related services. Site formation works generally involve the clearance of construction site, reduction and stabilisation of existing slopes, and associated works such as construction of roads and drainage network.

In addition, associated with our foundation and site formation works, we also provide ground investigation services for our customers. Our ground investigation services typically include drilling, boring, excavation and probing of land to obtain information on ground conditions, and include the installation of instrument, sampling, field testing in boreholes, and any other associated site operations.

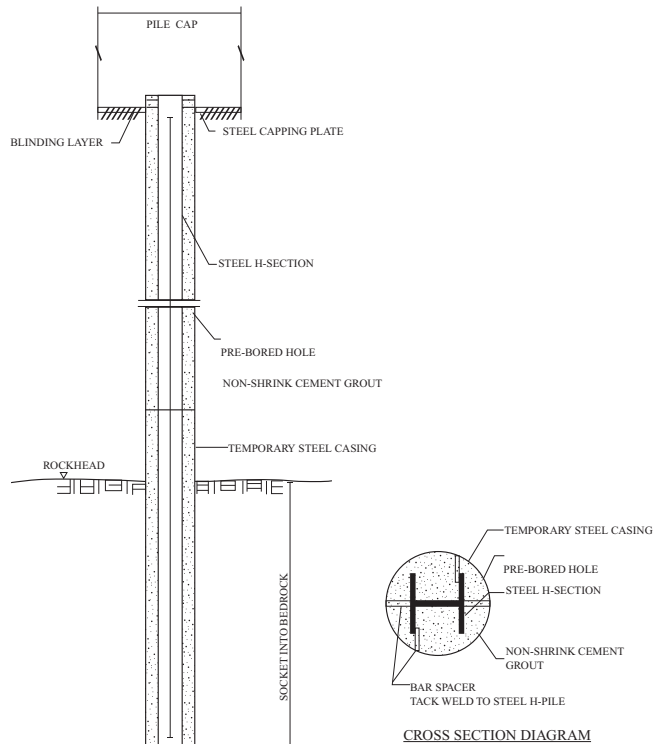
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The major types of foundation and site formation works undertaken by us during the Track Record Period are set out in the following illustrative diagrams:

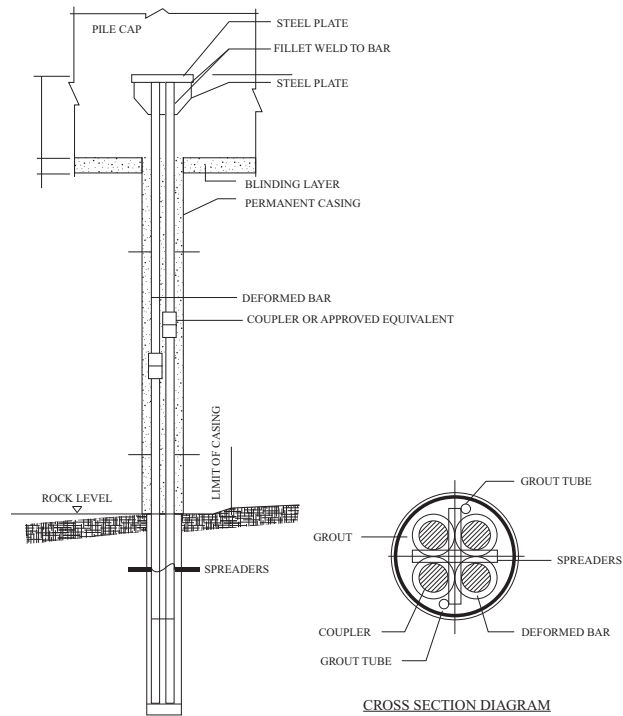
Bored piling



Pre-bored H-Pile



Mini-pile



General building works and associated services

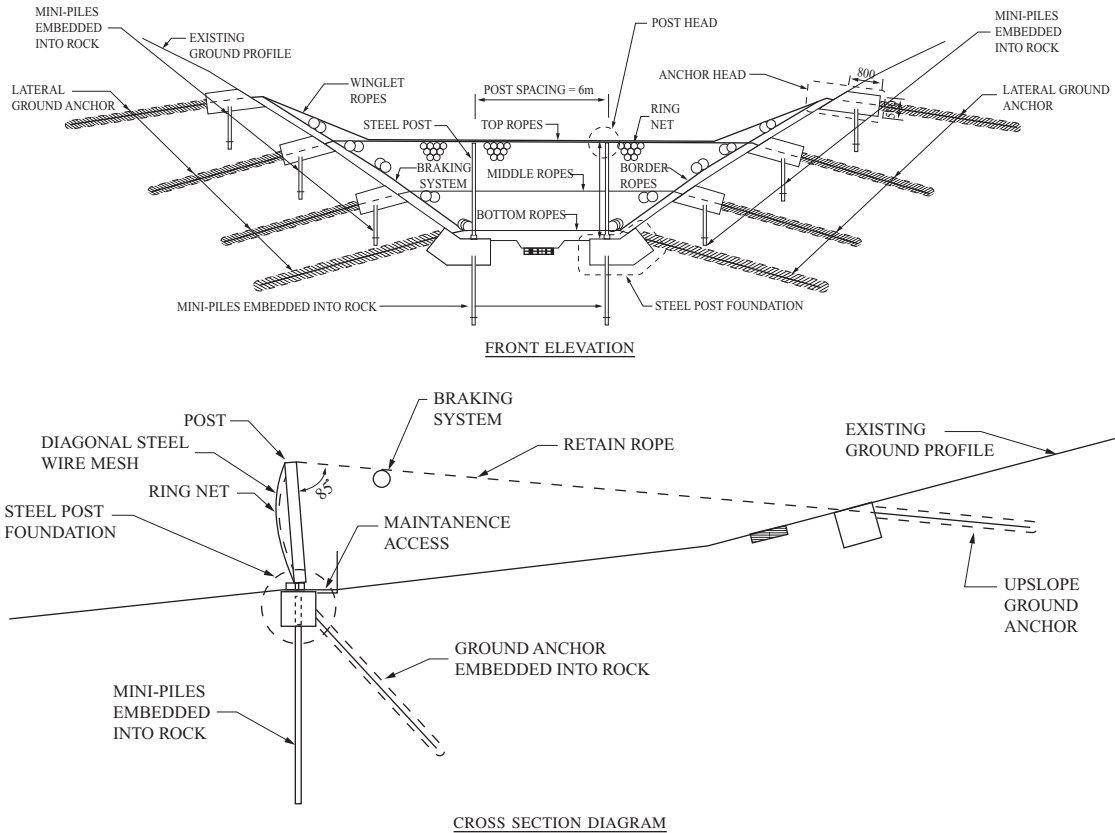
Our general building works are generally the construction of low to high rise residential, industrial and school buildings for development and redevelopment projects. During the Track Record Period, the principal types of general building works undertaken by our Group mainly included the construction of the building structures and alteration and addition to existing buildings. The scope of our superstructure construction works included but not limited to structural steel framework erection, structural concrete works, internal and external finishing works, roofing works, installation of window wall and curtain wall, and electrical and mechanical installation.

Other construction works

Other construction works carried out by our Group mainly consist of (i) slope works; and (ii) demolition works.

Slope works refer to landslip preventive and mitigation works for improving or maintaining the stability of slopes and/or retaining walls as well as natural terrain hazard mitigation works. During the Track Record Period, our services provided mainly included design, supply and/or installation of rockfall/debris flow protection barriers, drilling and installation of soil nails, and construction of raking drains.

Rockfall/debris flow protection barrier



Demolition works include dismantling, razing, destroying or wrecking any building or structure or any part thereof by pre-planned and controlled methods.

Consultancy services

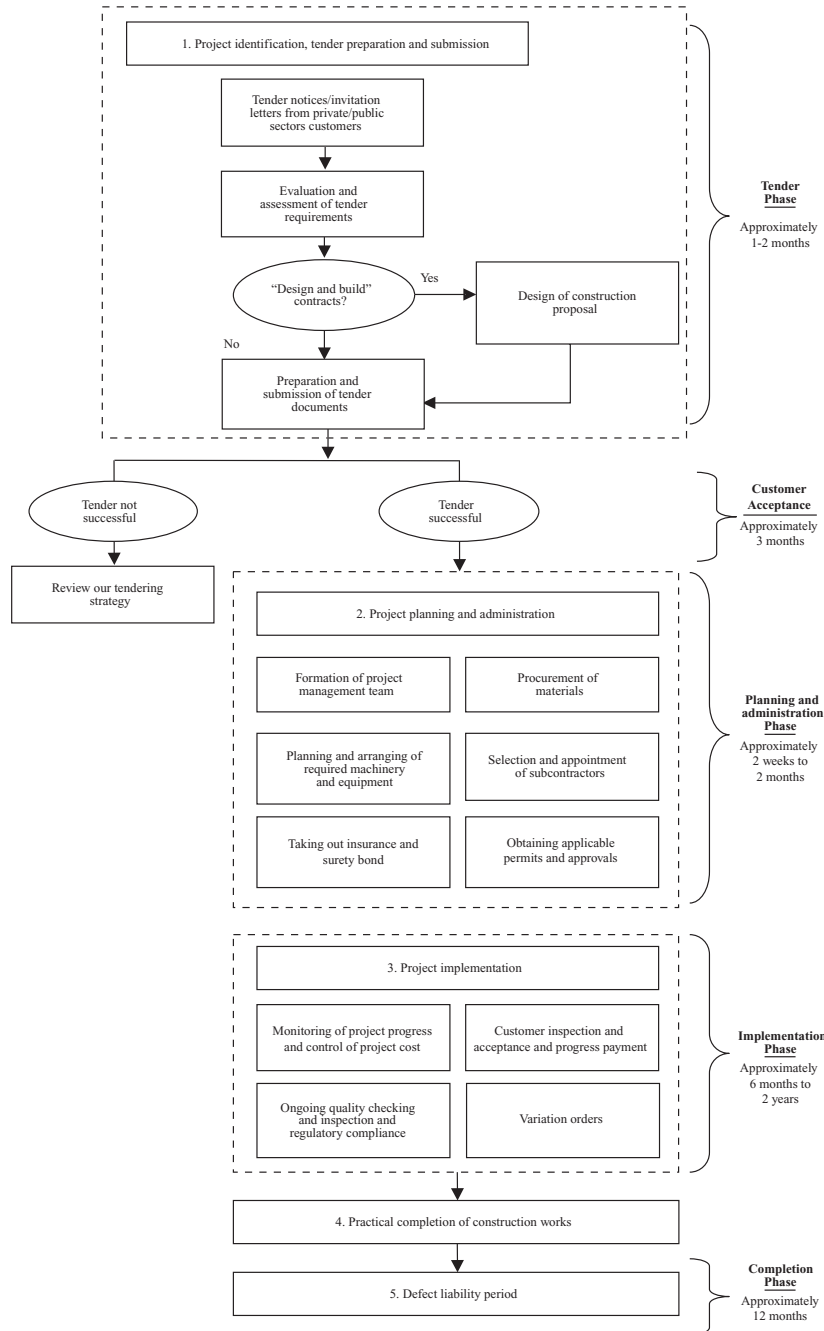
Riding on our professional qualifications and technical expertise coupled with our practical on-site experience, our Group provides consultancy services to assist our customers which are usually project owners or the appointed person of the project owners in developing cost-effective engineering designs, including structural and geotechnical details, drawings and calculations primarily concerning the dimensions and materials of the structures, and making submissions to the relevant Government authorities before the relevant construction works can commence pursuant to the requirements of the Buildings Ordinance or other relevant rules and regulations. After obtaining the approval and depending on our agreements with our customers, we may also provide construction consulting services to our customers, for which our works include supervision of works, monitoring progress, certifying payments and completion, and carrying out final inspection on works at the expiry of the defects liability period of the project.

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BUSINESS MODEL AND OUR OPERATION

Construction works

The following flow chart illustrates the workflow of our typical construction projects:



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

1. Project identification, tender preparation and submission

Project identification

For our construction services, we generally identify potential projects through (i) receiving letters of invitation or otherwise becoming aware of open tenders; or (ii) requests for quotation from our customers or their agents. Our direct customers include property developers, project owners, Government departments, statutory bodies, and other construction contractors who engage us as subcontractor. The tender notice or quotation request generally includes brief description of the works required, closing time for submitting tender or providing quotation and other particulars of the project.

Private sector customers

With respect to private sector customers, our customers or their consultants may send us invitations directly inviting us to submit tender or to provide quotation for the projects. For projects requiring particular specialty on the part of the main contractor or for large-scale projects, we may sometimes be required to make pre-qualification submission so as to satisfy the customer with our eligibility to tender. Our Directors believe that customers, in their assessment of our tender or quotation, take into account various factors, such as our organisation structure and resources, past job experience, proposed human resources deployment for the project, proposals for undertaking the project and safety and environmental protection track records.

Public sector customers

Public sector customers include Government departments and statutory bodies. We review the Government Gazette or tender notices on the government's website closely to identify suitable tenders. In the case of selective tendering, the relevant entity will notify us by letter of invitation if we are on the relevant list of approved contractors.

Tender preparation and submission

Our tendering team is led by our executive Directors. The tendering team is 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, subcontractors, 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 or quotation proposal.

Design and build contracts and build-only contracts are typical methods of engagement by our customers in Hong Kong and our Group is capable of undertaking both. Under the build-only engagement method, the customer, usually through its architect, is responsible for the design. The architect will carry out the detailed design

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work before inviting tenders for the building works based on the completed design. For the design and build procurement method, design work and building works will be bundled as a single contract in the tendering exercise. The successful contractor will also be responsible for the detailed design work. During the tender phase of a design and build contract, our design team formulates appropriate design proposal which satisfies the specific requirements of the potential customer and to provide our expertise input on application of building materials and specialised working techniques with an aim to enhancing cost effectiveness and minimising incompatibility between architect's design and contractor's method of construction. In addition, some projects may require contractor's design input in certain aspects of the construction works, for instance, the foundation design for the installation of the rockfall/debris flow protection barriers in slope works projects. Depending on our resources availability and the complexity of the project, we may also engage external consultants to assist us in the design works.

The contracts we entered into with our customers are normally re-measurement or fixed price contracts without any price fluctuation adjustment clause but they are subject to additional works or variations instructed by our customers. We exercise great care in formulating our tender or quotation price in the preparation of our tender or quotation documents. Our tender or quotation price is determined on a project-by-project basis and it is generally based on our estimated costs to be incurred for the potential project plus a mark-up margin. In the course of preparing the tender proposal, our tendering team will take into consideration principal factors, including: (i) the specifications and complexity of the potential project; (ii) the site location and conditions; (iii) the quotations from our suppliers and subcontractors, if necessary; (iv) the work schedule and duration of the potential project; (v) the availability of machinery, resources and manpower needed; (vi) the scale of the project; (vii) anticipated competition; and (viii) our previous working relationship with the customer. Our project managers may conduct an on-site visit if necessary to make a more accurate assessment of the site constraints and conditions and surrounding environment of the relevant sites to assess any inherent risks which may result in increased expenses and prolonged work schedules.

Upon finalising the bill of quantities or schedule of rates and other documents according to the tender requirements, which may include our job references, qualifications and experience of our project management team members, proposed master programme and the design proposal for design and build contracts, our Group will submit the tender documents to the potential customers. After tender submission, our tendering team will also follow up with the potential customers on our tender. Customers may revert to us with tender queries or tender clarifications to clarify the scope of works, our tender or quotation particulars or specifications. It generally takes around one to three months for our customers to consider our tender or quotation proposals and inform us whether they would award us with the projects.

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Tenders or quotations submitted during the Track Record Period

The following table sets out the number of tenders or quotations submitted, the number of construction projects awarded to our Group, and our success rate during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 30 September			From 1 October 2017 up to the Latest Practicable Date <i>(Note 2)</i>
	2015	2016	2017	
Total number of tenders/quotations submitted	129	154	121	156
Total number of projects won <i>(Note 1)</i>	38	40	38	47
Success rate	29.5%	26.0%	31.4%	30.1%

Notes:

1. Not all of our construction projects were awarded to us through tendering. The total number of projects awarded represents number of those projects awarded to us after tendering and it includes projects tendered in the preceding year which are awarded in the current year.
2. Out of the total 156 tenders or quotations submitted since 1 October 2017 and up to the Latest Practicable Date, 59 tenders or quotations were unsuccessful, and 54 tenders or quotations were still under evaluation by our potential customers as at the Latest Practicable Date.

Our Directors confirm that our tender or quotation success rates are within expectation. Our tender or quotation success rate decreased during the year ended 30 September 2016, mainly because our capacity was engaged by our projects on hand, in particular for the general building works construction of organic waste treatment facilities at Lantau Island (Project P00424) and the school redevelopment at Kowloon (Project 1506) awarded during the years ended 30 September 2015 and 2016, respectively. Nevertheless, it is our strategy to be responsive to our customers' invitations and continue to submit proposals to our customers in order to maintain our business relationship instead of turning them down. Under such circumstances, we normally factored in a slightly higher profit margin to cover the cost of putting in additional resources, which may decrease the attractiveness of our tender proposals.

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

	For the year ended 30 September						From 1 October 2017 up to the Latest Practicable Date	
	2015		2016		2017		Number of contracts awarded	Total contract sum
Contract size (in terms of contract sum)	Number of contracts awarded	Total contract sum (Note 1) (HK\$'000)	Number of contracts awarded	Total contract sum (Note 1) (HK\$'000)	Number of contracts awarded	Total contract sum (Note 1) (HK\$'000)	Number of contracts awarded	Total contract sum (Note 1) (HK\$'000)
HK\$100 million or above	2	485,465	1	274,485	1	166,980	-	-
HK\$10 million to below HK\$100 million	4	164,666	3	112,605	5	113,676	4	155,470
HK\$1 million to below HK\$10 million	12	39,329	11	39,939	7	28,966	12	43,154
Below HK\$1 million	20	3,833	25	5,039	25	7,290	31	7,083
Total	38	693,293	40	432,068	38	316,912	47	205,707

Note:

- The total contract sum in respect of each contract represents the awarded contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation and additional works as instructed by our customers, and other updated information provided by our customers.
- The above contracts awarded to our Group include private sector and public sector projects which were the main contractor or subcontractor.

2. Project planning and administration

Once our customer accepts our tender proposal, generally, it will issue a letter of award to us which forms part of the contract confirming our engagement. A formal contract will be entered into between our Group and the customer when the contract terms are finalised. We commence the implementation of the project by: (i) forming a project management team; (ii) procurement of materials; (iii) planning and arranging of required machinery and equipment; and (iv) selection and appointment of subcontractors; (v) taking out insurance and surety bond; and (vi) obtaining applicable permits and approvals.

(i) Formation of project management team

A project management team is formed for each project. Depending on the scale and complexity of the project, our project management team generally comprises the following key personnel: project director, project manager, project engineer, safety officer, foreman and quantity surveyor. Our project management team is responsible for formulation and submission of master programme and overall management of our

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project. Overall project management principally includes arrangement of subcontractors and sourcing of materials in accordance with the contract specifications and requirements and master programme, implementing temporary traffic management, liaising with customers, project consultants and relevant authorities for the project works, supervision of quality, safety and environmental matters. Our project management team may also review the design and provide advice or alternative proposal to the customer or its agent if appropriate. Our executive Directors will closely monitor the progress of the project on a continuous basis and will ensure compliance with statutory and contractual requirements. Set out below are some general duties performed by our key personnel in the project management team during the implementation stage of the projects:

Position	Responsibilities
Project director	Responsible for reviewing and providing company resources of overall planning, implementation and supervision of the project, and provision of support and resources required to maintain safe and healthy working conditions to the projects
Project manager	Responsible for monitoring and managing the overall operation of the project, selection of appropriate personnel, suppliers and subcontractors for the project execution, liaising with customers, attending progress meeting and preparing progress report
Quantity surveyor	Responsible for drafting subcontract documents to our subcontractors, measuring work done, preparing payment applications, final accounts and approving value of work done by our subcontractors and handling claims
Project engineer /site agent	Responsible for coordinating with customers' engineers and ensuring the project works are well defined, securing resources in the form of personnel, equipment and materials for the successful execution of the project, and liaising with any subcontractors, quantity surveyor and general workforce involved in the project
Safety officer	Responsible for advising site management on safety issues and prevention of injury and legal requirements in respect of safety and health, assisting with safety trainings for all levels of employees, supervising the analysis and information on injuries and damage, assessing accident trends and reviewing overall safety performance
Foreman	Responsible for supervising and performing inspection activities at construction sites to ensure works are carried out in accordance with specifications and drawings

(ii) Procurement of materials

Our subcontractors are generally required to source the materials necessary for completing the works delegated to them, but in order to ensure the quality of the materials meet the specifications and requirements, shop drawings and materials specifications are generally submitted for customer's approval before ordering. For common construction materials used by various subcontractors, such as cement, sand, concrete and steel, we may centralise the purchase where possible. Where we require our subcontractors to source and provide the necessary construction materials, the costs of materials are generally included into the subcontract price. In some cases, our customers will purchase certain construction materials on our behalf in the relevant projects. Please refer to the paragraph headed "Contra-charge arrangement with our customers" in this section for further details.

The key construction materials that we purchase include concrete, steel and rockfall/debris flow protection barriers. The materials we purchase are generally sent to the site directly by our suppliers. We place orders with our approved suppliers to purchase the required materials on a project-by-project basis and we do not keep any materials in inventory. The materials procured by our Group are inspected and/or tested before use, and if appropriate, supplied with certificates, to ensure compliance with the contractual specifications and requirements and relevant statutory requirements.

(iii) Planning and arranging of required machinery and equipment

Most of our works involve usage of machinery. Led by our executive Directors, our project management team is responsible for managing the operation of our projects. Our project management team determines the types of machinery to be used at various stages of our projects. During the Track Record Period, we mainly relied on machinery rental and our subcontractors to provide or equip us with the necessary machinery and construction equipment to carry out the project works. For further details, please see the paragraph headed "Machinery" in this section below.

(iv) Selection and appointment of subcontractors

During the Track Record Period, we delegated our construction works to different subcontractors and coordinate with them to perform the relevant construction works under our schedule, supervision and quality control. The works we subcontract to our subcontractors are generally labour intensive or require specific skill sets, such as piling works, excavation and lateral support works, steel bar fixing, plumbing and drainage installation, electrical and mechanical works, and fire engineering services. We normally require our subcontractors to equip themselves with necessary machinery such as excavators, crawler cranes and piling machines. In general, the subcontractors charge us a fee for the provision of their machinery and such cost is included in the subcontracting charges. In some projects, certain works which require specific skill sets, such as curtain wall installation, lifts and escalators installation and heating, ventilation and air conditioning works may be required to be carried out by the

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subcontractors nominated by our customers. Save for such instances where subcontractors are nominated by our customers, we generally engage subcontractors on our approved list of subcontractors.

We oversee and supervise the works performed by our subcontractors in order to ensure that the works completed are in accordance with the specifications, requirement and timeframe under the relevant contract. For further details on selection of subcontractors and our subcontracting arrangements, please refer to the paragraph headed “Our suppliers and subcontractors” in this section.

(v) Taking out insurance and surety bonds

Before the commencement of a project, to comply with the relevant laws and regulations in Hong Kong and the contract requirements, for projects in which our Group acts as the main contractor, we will take out the employees’ compensation insurance and contractor’s all risks insurance for the awarded project. For further details of our insurance policy, please refer to the paragraph headed “Insurance” in this section.

In addition, when our Group undertakes construction works as a main contractor in the private sector, depending on the tender terms and our negotiation with the customers, we are sometimes required to provide a surety bond of up to 10% of the contract sum issued by a bank or an insurance company in favour of the customer to secure our due performance of the contract. During the Track Record Period, we mainly made cash collaterals to insurance companies for the issuance of surety bonds. Occasionally, we may request our subcontractors to share the cost of the surety bond. The surety bonds will generally be released to our Group after practical completion of the project.

(vi) Obtaining applicable permits and approvals

As a main contractor, we are required to comply with the applicable environmental laws and regulations in carrying out the project. Our project management team is responsible for perusing the specifications set out in the contract and if necessary, apply to the relevant Government departments for the requisite permits and approvals in relation to commencement of works, excavation, disposal of wastes, traffic diversion, etc. before and during the course of construction works. We may need to notify public utilities companies in cases where we carry out excavation works to ensure that underground utilities are properly taken care of. For further details, please refer to the section headed “Regulatory Overview” in this prospectus.

3. Project implementation

(i) Monitoring of project progress and quality checking

We believe that our quality of work and reputation are crucial to winning future referrals and securing future business opportunities. As such, we place strong emphasis on quality control of our work to ensure that our work meets the required standard. Our project management team holds regular meetings with our customers and subcontractors to review and report the project progress and to resolve any problems which may arise. Progress reports and site photos are submitted to our customers during the meetings, if required. Our project management team will also carry out site inspection during various stages of project implementation and before completion of our works to ensure that the specified standards have been met. For further details, please refer to the paragraph headed “Quality control” in this section.

(ii) Cost control and management

Our contracts are usually of a fixed sum or for re-measurement contracts our unit prices stated in the bills of quantities are fixed without any price fluctuation adjustment clause. Our ability to maintain our profitability is thus impacted in part by our ability to estimate and manage our project costs. We have therefore established and implemented the following cost control and management measures.

Our project managers prepare a budget plan for each project which will be reviewed and monitored against actual incurred costs from time to time. Any material deviation from the budget plan will be highlighted to our executive Directors who will try to understand the cause of any cost overruns and implement measures to reduce or eliminate the cost overruns.

We usually engage our subcontractors and enter into contracts with our construction material suppliers in the early stage of a project to fix the subcontract and purchase price, respectively, which in aggregate represented over 85% of our total cost of sales during the Track Record Period, so as to ensure stable supply and minimise cost fluctuation.

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. To mitigate the risk of delay in completing our projects and safeguard our Group from any liquidated damage, our project managers will closely monitor the progress of our projects and have regular meetings with our Directors, senior management and our customers. We also take note of the extension of time entitled to us caused by weather condition or variations. If there is any project with progress falling behind the construction schedule, we will determine and take prompt and necessary remedial actions, such as allocating more manpower and machinery to the respective construction site.

(iii) Customer inspection and acceptance and progress payment

For our construction contracts, we normally receive progress payments from our customers on a monthly basis with reference to the value of works done in the previous month. In general, we send an interim payment application to the architect or consultant appointed by our customers monthly according to the value of works completed during the month. The architect or the consultant will then measure the works completed and certify the amount we are entitled to for the relevant month by issuing a payment certificate. It generally takes approximately 30 days from the date of payment application for such certificate to be issued. For each of such interim payment, our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% to 10% of the contract sum as retention money for the project. Similarly, we normally pay our subcontractors on a monthly basis or by stages with reference to the works done completed by our subcontractors certified by us.

(iv) Variations

Our customers may order variations to the original project works or instruct additions or deductions of work that are beyond the scope of the original contract. Variations, additions, or deductions of works are common and often resulted from change of design. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, we recorded revenue amounted to approximately HK\$3.1 million, HK\$17.3 million, HK\$20.8 million and HK\$1.1 million from variations ordered by our customers, respectively, representing approximately 0.8%, 4.0%, 5.8% and 0.6% of our total revenue for the same periods.

4. Practical completion of construction works and retention monies

In general, we consider our projects as completed when the certificates of practical completion have been issued by the architect or consultant appointed by our customers, or when we have agreed with our customers on practical completion by exchange of correspondence. Our customer will then prepare and agree on the final account with us and the final account will set out the final outstanding balance due to us. The final account is generally agreed between our customer and us approximately 6 to 12 months after practical completion.

In order to ensure due performance of the entire contract work, our customers are usually given the right to withhold up to 10% of each progress payment due to us as retention monies. In general, the contract will specify that the total amount of retention monies shall not exceed 5% to 10% of the total contract sum of the project. The retention monies are generally released to us in two instalments but the retention period could vary. The first half of the retention monies is generally released after the practical completion of our contract works while the second half is generally released after the defect liability period respectively. There has been no forfeiture of retention money during the Track Record Period. As at 31 March 2018, the retention monies withheld by our customers for completed works amounted to approximately HK\$45.0 million.

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Similar to the aforesaid arrangement between our customers and us, depending on the nature of work, we generally withhold 10% of each progress payment due to our subcontractors and up to a maximum limit of 5% to 10% of the subcontract sum as retention monies to guarantee their due completion of the subcontract works. As at 31 March 2018, the retention monies withheld by us for the works completed by our subcontractors included in our retention payables amounted to approximately HK\$21.9 million.

During the Track Record Period, we have experienced delay in completion for the house redevelopment at Perkins Road (Project P00445). The architect appointed by our customer indicated that our customer was entitled to deduct a sum of approximately HK\$2.7 million for liquidated damages. Our Directors consider that such delay in completion was not due to our default and was mainly due to (i) the delay in obtaining regulatory approval on the demolition and excavation works resulting in delay in commencement of our works; and (ii) change in design plan causing additional works. As the delay in obtaining the relevant regulatory approval and the change in design plan were not arisen from the default of our Group, we have therefore applied for extension of time with our customer. As at the Latest Practicable Date, we are still in negotiation with our customer on the liquidated damages claims and our application for extension of time. As a conservative approach, we have accounted for the full amount of such liquidated damage claims as suggested by the architect during the year ended 30 September 2017. Save for the delay in the Project P00445 as disclosed above, we did not encounter any material delay in our projects and there was no material liquidated damage claims against us by our customers as at the Latest Practicable Date.

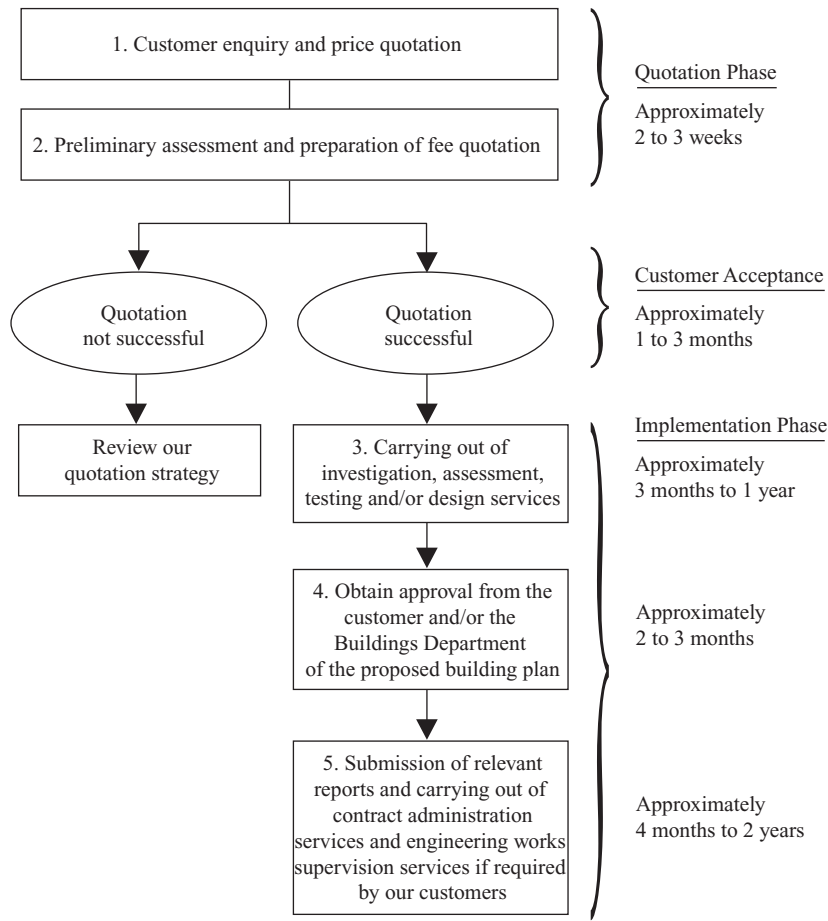
5. Defect liability period

In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our works done. Our defect liability period usually lasts for 12 months after our completion of the contract works. During the Track Record Period, we did not experience any material claim by our customers in respect of defective works which had a material adverse impact on our profitability or financial condition, and we have not made provision for any repair and maintenance cost in respect of defective works during the defects liability period of our projects.

BUSINESS

Consultancy services

The following flow chart illustrates the workflow of our typical consultancy services provided:



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

Our existing and potential customers, which mainly include project owners or the appointed persons of the project owners in a construction project, generally invite us to submit a quotation for our consultancy services. In occasion, our customers may directly approach us for our provision of services. We set our consultancy fees based on various factors including (i) the service scope and the complexity of the project; (ii) the expected service period; (iii) the expected personnel and other costs to be incurred; and (iv) our previous relationship with the customer.

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Once our quotation is accepted by our customer, we will carry out our consultancy services, including any assessment, testing and/or design services, according to the requirements in the invitation documents and our tender or quotations. Depending on our resources availability and the complexity of the project, we may also seek technical advices from external consultants and/or engage external drafting service provider for the preparation of the technical drawings.

We are usually required to submit our engineering design to the relevant Government authorities for approval. We will liaise with the Government authorities and may make revised submissions to address any queries raised by them. In general, our Group is entitled to make milestone progress billings to our customers pursuant to the payment schedule of the contract, such as completion of the preparation and submission of the engineering design, and obtaining approval on the construction plans. Our Directors confirm that during the Track Record Period, all of the engineering designs developed and submitted by our Group have been approved by the relevant Government authorities.

Depending on the agreements with our customers, we may also be required to supervise the works of the contractors appointed by our customers where we would send our own personnel to the work sites to supervise the works and provide advice to our customers if necessary with a view of ensuring that the works performed by the contractors conform to our engineering designs. We may also be responsible for monitoring the progress, certifying payments and completion and carrying out final inspection on works at the expiry of the defects liability period of the project. Our consultancy fees in this connection are generally invoiced on a monthly basis throughout the period during which we are required to supervise the works.

BUSINESS

OUR CONSTRUCTION PROJECTS

Projects completed

In general, we consider our projects as completed when the certificates of practical completion have been issued by the architect or consultant appointed by our customers, or when we have agreed with our customers on practical completion by exchange of correspondence. During the Track Record Period and up to the Latest Practicable Date, we had completed over 100 projects with an aggregate contract sum of approximately HK\$971.0 million. The following table sets out the details of our projects completed during the Track Record Period and up to the Latest Practicable Date with total contract sum of each over HK\$10 million:

Project code	Particulars of project	Sector	Main category of works	Our role	Project period (Note 1)	Total contract sum (Note 2) (HK\$'000)	Revenue recognised during the Track Record Period (HK\$'000)
P00420	Factory redevelopment in Tai Po	Private	General building works and associated services	Main contractor	December 2014 to April 2016	122,765	121,646 (Note 4)
P00351	Redevelopment in Wan Chai	Private	General building works and associated services	Main contractor	November 2011 to January 2016	101,707	4,651 (Note 3)
P00404	Alteration and addition works for a factory in Tai Po	Private	General building works and associated services	Main contractor	July 2013 to November 2015	89,058	67,391 (Note 3)
D1256	Composite development in Tuen Mun	Private	Foundation and site formation works	Main contractor	September 2014 to January 2016	82,817	82,817
D1507	House development in Lantau Island	Private	Foundation and site formation works	Main contractor	May 2016 to April 2017	65,345	65,345
D1048	Residential redevelopment in Chung Hom Kok	Private	Foundation and site formation works	Main contractor	May 2013 to October 2016	61,053	48,746 (Note 3)
D1340	Residential development in Tuen Mun	Private	Foundation and site formation works	Main contractor	March 2015 to June 2017	42,868	38,682 (Note 4)
D1381	Residential development at Headland Road	Private	Foundation and site formation works	Main contractor	July 2015 to January 2017	42,201	42,201
D1433	Residential development in Kowloon Tong	Private	Foundation and site formation works	Main contractor	September 2015 to September 2016	38,480	38,480

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Project code	Particulars of project	Sector	Main category of works	Our role	Project period (Note 1)	Total contract sum (Note 2) (HK\$'000)	Revenue recognised during the Track Record Period (HK\$'000)
E0047	Landslip prevention and mitigation works in New Territories	Public	Other construction works	Subcontractor	July 2014 to May 2016	35,065	32,153 (Note 4)
P00445	House redevelopment at Perkins Road	Private	General building works and associated services	Main contractor	January 2016 to June 2017	34,760	27,503 (Note 4)
D1181	Redevelopment in Kowloon	Private	Foundation and site formation works	Main contractor	March 2014 to February 2015	27,760	9,010 (Note 3)
D1070	Development of hotel at Pei Ho Street	Private	Foundation and site formation works	Main contractor	January 2014 to July 2015	21,489	17,671 (Notes 3 and 4)
D1606	Redevelopment in Kowloon	Private	Foundation and site formation works	Main contractor	December 2016 to January 2018	15,800	15,800
D1632	Development of hostel in Tai Po	Private	Foundation and site formation works	Main contractor	May 2017 to February 2018	13,980	12,962 (Note 4)
D1466	Hotel Development at Wing Hing Street	Private	Foundation and site formation works	Main contractor	December 2015 to April 2017	12,499	12,499
						<u>807,647</u>	<u>637,557</u>
	Other construction projects with total contract sum of each less than HK\$10 million					<u>163,399</u>	<u>129,900</u>
	Total construction projects completed					<u>971,046</u>	<u>767,457</u>

Notes:

- The project period covers the duration of our works with reference to the commencement date and the practical completion date of the relevant project as set out in the payment certificates or practical completion certificate issued by our customer or their authorised persons, or with reference to the completion record issued by us.
- The total contract sum takes into account the additional works or variation orders (if any) certified by the architect or consultant appointed by our customers.
- The works of the relevant projects were commenced and certain portion of the revenue had already been recognised before the Track Record Period. Thus, the revenue recognised during the Track Record Period for these projects was less than their respective contract sums.
- The final accounts of the relevant projects had not been issued as at 31 March 2018 or the relevant projects were completed subsequent to the Track Record Period. Therefore, the payment certificates for the remaining portion of the revenue had not been received by us and the entire contract sum was not fully recognised during the Track Record Period.

BUSINESS

Projects on hand

As at the Latest Practicable Date, the aggregate contract sum of our projects on hand (including projects in progress and projects yet to commence) amounted to approximately HK\$1,161.2 million. The following table sets out the details of our projects in progress with total contract sum of each over HK\$10 million as at the Latest Practicable Date:

Projects in progress as at the Latest Practicable Date

Project code	Particulars of project	Sector	Main category of works	Our role	Commencement date (Note 1)	Expected completion date	Total contract sum (Note 2) (HK\$'000)	Revenue recognised during the Track Record Period (HK\$'000)	Outstanding contract sum as at 31 March 2018 (HK\$'000)
P00424	Construction of organic waste treatment facilities in Lantau Island	Public	Foundation and site formation works, and general building works and associated services	Subcontractor	January 2015	October 2018	359,700	345,200	14,500
1506	Redevelopment of a school in Kowloon	Private	Foundation and site formation works, and general building works and associated services	Main contractor	May 2016	August 2019	290,985	119,234	171,751
P00488	Composite development in Cheung Sha Wan	Private	General building works and associated services	Main contractor	June 2017	December 2018	166,980	59,996	106,984
D1671	Landslip prevention and mitigation works in various locations in Hong Kong	Public	Other construction works	Subcontractor	April 2017	May 2019	39,880	24,791	15,089
D1779	Redevelopment at Sheung Wan	Private	Foundation and site formation works	Main contractor	June 2018	February 2020	36,061	–	36,061
D1744	Residential development at Kowloon City	Private	Foundation and site formation works	Main contractor	April 2018	April 2019	35,139	–	35,139
D1331	House development in Tuen Mun	Private	Foundation and site formation works	Main contractor	March 2018	March 2019	35,124	1,959	33,165
D1629	Improvement works in Shatin	Public	Other construction works	Main contractor	December 2017	December 2018	12,080	1,017	11,063

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Project code	Particulars of project	Sector	Main category of works	Our role	Commencement date (Note 1)	Expected completion date	Total contract sum (Note 2) (HK\$'000)	Revenue recognised during the Track Record Period (HK\$'000)	Outstanding contract sum as at 31 March 2018 (HK\$'000)
E0054	Slope works at Liantang Boundary Control Point	Public	Other construction works	Subcontractor	August 2017	June 2019	17,765	–	17,765
							993,714	552,197	441,517
Other projects with total contract sum of each less than HK\$10 million							32,723	4,844	27,879
Total projects in progress							1,026,437	557,041	469,396

Notes:

- The commencement date of the relevant project is determined with reference to our record or the payment certificates issued by our customer or their authorised persons.
- The total contract sum equals the initial contract sum and the amount derived from subsequent variation order(s) from the relevant project, if any, as agreed between our Group and the customer up to the Latest Practicable Date.

Projects awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract sum of the projects awarded to us but not commenced amounted to approximately HK\$134.8 million, which comprised four projects with contract sum of each ranging from approximately HK\$0.1 million to approximately HK\$70.4 million. The following table sets out the details of our projects awarded but not yet commenced with awarded contract sum of each over HK\$10 million as at the Latest Practicable Date:

Project code	Particulars of project	Sector	Main category of works	Our role	Expected commencement date	Expected completion date	Awarded contract sum (HK\$'000)
P00521	Alteration and addition works for a commercial building at North Point	Private	General building works and associated services	Main contractor	September 2018	November 2019	70,389
P00433	Alteration and addition works for a factory in Tai Po	Private	General building works and associated services	Main contractor	December 2018	August 2019	26,237
D1674	Redevelopment of an outdoor activities centre at Stanley	Private	Foundation and site formation works	Main contractor	September 2018	February 2019	13,882

BUSINESS

Projects backlog

As at 30 September 2015, 2016 and 2017 and the Latest Practicable Date, we had a total of 30, 34, 35 and 34 projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to but not yet commenced by us), respectively, and the amount of revenue derived or expected to be derived from such projects are set out as follows:

	As at 30 September 2015	As at 30 September 2016	As at 30 September 2017	As at the Latest Practicable Date
Number of projects in our backlog	30	34	35	34
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total contract sum in respect of such projects (<i>Note</i>)	1,057,789	1,004,756	993,247	1,161,195
	30 September 2015	30 September 2016	30 September 2017	31 March 2018
Total revenue attributable to such projects:				
– recognised on or before the date indicated	457,141	397,527	431,373	557,041
– yet to be recognised as at the date indicated	<u>600,648</u>	<u>607,229</u>	<u>561,874</u>	<u>604,154</u>
	<u><u>1,057,789</u></u>	<u><u>1,004,756</u></u>	<u><u>993,247</u></u>	<u><u>1,161,195</u></u>

Note: The total contract sum in respect of each contract represents the awarded contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation and additional works as instructed by our customers, and other updated information provided by our customers.

OUR CONSULTANCY SERVICES

During the Track Record Period, we have provided consultancy services including engineering consulting on construction designs and works supervision and construction contract administration, to our customers from both private and public sectors, in over 200 consultancy projects with contract sum of each ranging from less than HK\$10,000 to approximately HK\$1.7 million. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our revenue recognised from consultancy services amounted to approximately HK\$10.3 million, HK\$11.7 million, HK\$14.3 million and HK\$5.0 million, respectively.

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SALES AND MARKETING

We mainly sourced our projects by tenders or quotations. Our Directors believe that our relationship with our customers, expertise, reputation in the industry and past project references are key to securing future projects as we rely on word-of-mouth by our customers to attract new referrals for future projects, and the quality of services provided by us in our existing projects is crucial in retaining our existing customers. In addition, we believe that the Listing will further promote our Group to the general public, and thus further enhance our brand and future business development.

We are registered as specialist contractor in the categories of foundation, site formation, ground investigation and demolition works and as general building contractor with the Buildings Department. We are also on the Approved Public Works Contractors List under Group A (Probation) in the buildings category and the Approved Specialist Contractors List for landslip preventive/remedial works to slopes/retaining walls. We believe the abovementioned registrations could enhance our industry status and profile in the construction industry.

SEASONALITY

Our Directors believe that the construction industry in Hong Kong does not exhibit any significant seasonality.

OUR CUSTOMERS

During the Track Record Period, we primarily acted as main contractor serving customers who are mainly property developers or project owners in the private sector, while we also undertook projects from the public sector for Government departments and statutory bodies.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, total revenue of our Group amounted to approximately HK\$390.4 million, HK\$427.0 million, HK\$359.3 million and HK\$189.2 million, respectively. Set out below is our revenue contribution by sector of our customers during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue	% of	Revenue	% of	Revenue	% of	Revenue	% of	Revenue	% of
	HK\$'000	total	HK\$'000	total	HK\$'000	total	HK\$'000	total	HK\$'000	total
		revenue		revenue		revenue		revenue		revenue
							(unaudited)			
Private sector	284,201	72.8	265,292	62.1	187,329	52.1	109,236	60.1	157,460	83.2
Public sector	106,222	27.2	161,659	37.9	171,982	47.9	72,583	39.9	31,773	16.8
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

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As it is a common practice for property developers in Hong Kong to carry out development works through individual affiliated company for each development project, our Directors consider that these affiliated customers should be grouped as a single customer if they are affiliated under the same group to portray a more meaningful customer profile. We do not have any long-term contract with our customers and our contracts are entered into on a project-by-project basis.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the total revenue attributable to our five largest customers amounted to approximately HK\$291.0 million, HK\$288.5 million, HK\$257.6 million and HK\$156.9 million, representing approximately 74.6%, 67.6%, 71.7% and 82.9% of our total revenue, respectively. For the same periods, the total revenue attributable to our largest customer amounted to HK\$91.3 million, HK\$141.0 million, HK\$140.9 million and HK\$69.8 million, representing approximately 23.4%, 33.0%, 39.2% and 36.9% of our total revenue, respectively.

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

During the Track Record Period, two of our customers, (i) Maxwell Contract Services Company Limited (“**Maxwell Contract Services**”), a company in which Dr. CW Lau has beneficial interest and is one of the directors; and (ii) Wong Pak Lam & Associates Consulting Engineers & Architects Limited (“**WPL & Associates**”), a company which Dr. CK Lau was one of the directors from February 2013 to December 2017, were our related parties. For details of our transactions with Maxwell Contract Services and WPL & Associates, please refer to the section headed “Financial Information – Related party transactions and balances” in this prospectus.

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The following tables set forth the details of our five largest customers in terms of revenue contribution during the Track Record Period:

For the year ended 30 September 2015

Rank	Customer	Commencement of business relationship with our Group	Payment method	Background of the customer	Main categories of works undertaken by our Group	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Customer J	Since 2014	By cheque	A manufacturing company based in Hong Kong wholly owned by a company listed on the Tokyo Stock Exchange	General building works and associated services	91,326	23.4%
2	Oscar Bioenergy Joint Venture ("Oscar Bioenergy JV")	Since 2013	By cheque	A joint venture to design, construct and operate a waste treatment facility established by three companies, including (i) ATAL Engineering Limited, an engineering company who is a member of the ATAL Engineering Group; (ii) SITA Waste Services Limited, a waste management company which is a non-wholly owned subsidiary of SUEZ Group (stock code: SEV) whose shares are listed on the Paris Stock Exchange, and an associate of NWS Holdings Limited (stock code: 0659) whose shares are listed on the Main Board; and (iii) Ros Roca S.A., a Spanish corporation engages in environmental engineering	Foundation and site formation works, and general building works and associated services	63,336	16.2%
3	Customer R	Since 2011	By cheque	Comprises two subsidiaries of a company listed on the Main Board which engages in property development business in Hong Kong, mainland China and Asia	Foundation and site formation works	60,443	15.5%
4	Advance Pharmaceutical Company Limited ("Advance Pharmaceutical")	Since 2013	By cheque	A private pharmaceutical manufacturing company based in Hong Kong established in 1978	General building works and associated services	47,225	12.1%
5	Customer U	Since 2014	By cheque	A construction contractor wholly owned by a company listed on the Main Board which engages in the provision of waterworks engineering services, road works and drainage services and site formation works, landslip preventive and mitigation works, and building works	Slope works	28,706	7.4%
Total						291,036	74.6%

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For the year ended 30 September 2016

Rank	Customer	Commencement of business relationship with our Group	Payment method	Background of the customer	Main categories of works undertaken by our Group	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Oscar Bioenergy JV	Since 2013	By cheque	A joint venture to design, construct and operate a waste treatment facility established by three companies, including (i) ATAL Engineering Limited, an engineering company who is a member of the ATAL Engineering Group; (ii) SITA Waste Services Limited, a waste management company which is a non-wholly owned subsidiary of SUEZ Group (stock code: SEV) whose shares are listed on the Paris Stock Exchange, and an associate of NWS Holdings Limited (stock code: 0659) whose shares are listed on the Main Board; and (iii) Ros Roca S.A., a Spanish corporation engages in environmental engineering	Foundation and site formation works, and general building works and associated services	141,001	33.0%
2	Customer R	Since 2011	By cheque	Comprises two subsidiaries of a company listed on the Main Board which engages in property development business in Hong Kong, mainland China and Asia	Foundation and site formation works	53,896	12.6%
3	Total Expect Limited	Since 2015	By cheque	A company incorporated in the British Virgin Islands which engages in property development business in Hong Kong which is a subsidiary of Eminence Enterprise Limited (stock code: 616) whose shares are listed on the Main Board	Foundation and site formation works	34,003	8.0%
4	Customer W	Since 2013	By cheque	A real estate developer based in Hong Kong which invests and develops various residential properties, houses and commercial buildings	Foundation and site formation works	30,403	7.1%
5	Customer N	Since 2015	By cheque	A private property developer in Hong Kong established in 2012	Foundation and site formation works	29,147	6.9%
Total						288,450	67.6%

BUSINESS

For the year ended 30 September 2017

Rank	Customer	Commencement of business relationship with our Group	Payment method	Background of the customer	Main categories of works undertaken by our Group	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Oscar Bioenergy JV	Since 2013	By cheque	A joint venture to design, construct and operate a waste treatment facility established by three companies, including (i) ATAL Engineering Limited, an engineering company who is a member of the ATAL Engineering Group; (ii) SITA Waste Services Limited, a waste management company which is a non-wholly owned subsidiary of SUEZ Group (stock code: SEV) whose shares are listed on the Paris Stock Exchange, and an associate of NWS Holdings Limited (stock code: 0659) whose shares are listed on the Main Board; and (iii) Ros Roca S.A., a Spanish corporation engages in environmental engineering	Foundation and site formation works, and general building works and associated services	140,863	39.2%
2	Good Hope School	Since 2016	By cheque	A school with secondary, primary and kindergarten sections established by a religious missionary in Kowloon	Foundation and site formation works, and general building works and associated services	51,244	14.2%
3	Customer R	Since 2011	By cheque	Comprises two subsidiaries of a company listed on the Main Board which engages in property development business in Hong Kong, mainland China and Asia	Foundation and site formation works	36,500	10.2%
4	Customer B	Since 2015	By cheque	A company incorporated in the British Virgin Islands and a property owner in Hong Kong	General building works and associated services	16,104	4.5%
5	Customer K	Since 2011	By cheque	A company manages a portfolio of commercial and residential properties in Hong Kong	Foundation and site formation works	12,935	3.6%
Total						257,646	71.7%

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For the six months ended 31 March 2018

Rank	Customer	Commencement of business relationship with our Group	Payment method	Background of the customer	Main categories of works undertaken by our Group	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Good Hope School	Since 2016	By cheque	A school with secondary, primary and kindergarten sections established by a religious missionary in Kowloon	Foundation and site formation works, and general building works and associated services	69,764	36.9%
2	Customer A	Since 2017	By cheque	A real estate developer based in Hong Kong	General building works and associated services	51,348	27.1%
3	Customer T	Since 2017	By cheque	A construction contractor wholly owned by a company listed on the GEM which engages in the provision of slope works	Slope works	23,229	12.3%
4	The Hong Kong Federation of Youth Groups	Since 2017	By cheque	A youth service organisation in Hong Kong	Foundation and site formation works	8,363	4.4%
5	Customer S	Since 2016	By cheque	A real estate developer based in Hong Kong	Foundation and site formation works	4,235	2.2%
Total						156,939	82.9%

Our Directors are of the view that our Group does not overly rely on any of our major customers having considered the following factors:

- (i) we are able to find substitute customers which is evident by the followings:
 - (a) Customer J, Advance Pharmaceutical and Customer U, who was our largest, fourth largest and fifth largest customer for the year ended 30 September 2015, respectively, and in aggregate contributed approximately 42.9% of our revenue for that year, was no longer one of our five largest customers for the years ended 30 September 2016 and 2017 and the six months ended 31 March 2018;
 - (b) Customer R, being one of our five largest customers during the three years ended 30 September 2017, had its contribution to our Group's total revenue decreased from approximately 15.5% for the year ended 30 September 2015 to approximately 12.6%, 10.2% and 0.9% for the years ended 30 September 2016 and 2017 and the six months ended 31 March 2018, respectively; and
 - (c) three of our five largest customers for the year ended 30 September 2017 were not among our five largest customers for the years ended 30 September 2015 and 2016;
- (ii) we possess a wide range of qualifications with established job references in foundation and site formation works, general building works and associated services, other construction works, and consultancy services, which enable us to capture business opportunities from a large range of customers in both the private and public sectors in the construction industry, and offers us extra resilience even when one of these sectors becomes less favourable;

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- (iii) as our construction projects are non-recurring in nature, we enter into contracts with our customers on a project-by-project basis and there is no contractual term prohibiting us from developing business relationship with new customers. Therefore, we can freely undertake construction projects with new customers and expand our customer base, subject to our financial capacity and project management capacity which are expected to be further enhanced by the net proceeds from the Share Offer; and
- (iv) it is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute a substantial amount to our revenue. Therefore, if we decide to undertake a certain project with a large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us. During the Track Record Period, as we undertook the construction of organic waste treatment facilities at Lantau Island (Project P00424) with a contract sum of approximately HK\$359.7 million for Oscar Bioenergy JV, Oscar Bioenergy JV became one of our largest customers for the three years ended 30 September 2017. Our Directors do not consider the undertaking of the single project renders any over-reliance on Oscar Bioenergy JV.

Contra-charge arrangement with our customers

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

During the Track Record Period, we had contra-charge arrangements with some of our customers. In this context, we regard such customers as our suppliers as well. Such contra-charge mainly included purchase cost of construction materials and subcontracting charges of subcontractors nominated by the customers, and we settled such amounts with our customers through contra-charge arrangement, in the sense that the payments due to us from our respective customers were settled after offsetting such purchase costs or charges. Our Directors confirmed that the contra-charge amounts were charged by our customers at cost.

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For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the contra-charges amounted to approximately HK\$15.6 million, HK\$2.3 million, HK\$15,000 and HK\$4.3 million, respectively, representing approximately 4.4%, 0.6%, 0.0% and 2.6% of our cost of sales for the same periods, respectively. The following table sets forth the contra-charges with our customers and their respective revenue contribution for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018:

	2015		For the year ended 30 September				For the six months ended 31 March	
	HK\$'000	%	2016 HK\$'000	%	2017 HK\$'000	%	2018 HK\$'000	%
Customer J								
Revenue derived and approximate % to our total revenue	91,326	23.4	27,978	6.5	2,341	0.7	–	–
Contra-charge amount and approximate % to our cost of sales	1,047	0.3	–	–	–	–	–	–
Customer U								
Revenue derived and approximate % to our total revenue	28,706	7.4	2,747	0.6	700	0.2	–	–
Contra-charge amount and approximate % to our cost of sales	14,562	4.1	12	0.0	–	–	–	–
Customer W								
Revenue derived and approximate % to our total revenue	17,346	4.4	30,403	7.1	997	0.3	–	–
Contra-charge amount and approximate % to our cost of sales	–	–	2,328	0.6	15	0.0	–	–
Customer T								
Revenue derived and approximate % to our total revenue	–	–	–	–	–	–	23,229	12.3
Contra-charge amount and approximate % to our cost of sales	–	–	–	–	–	–	4,296	2.6

Our Directors confirm that we had no material dispute with our customers in regards to the contra-charge arrangements and the contra-charge amounts involved which would have had a material impact on our business, financial condition or results of operations during the Track Record Period.

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Key contract terms with our customers

In general, customers award construction and consultancy contracts to us on a project-by-project basis which are non-recurring in nature. During the Track Record Period, we did not enter into any long-term contracts with any of our customers.

Set out below are the key common contract terms that are generally contained in our construction contracts undertaken by our Group as a contractor during the Track Record Period:

Key contract terms	Description
Location	The location of the project site at which our works are to be carried out.
Contract period	The period within which the project has to be completed based on the pre-determined work schedule. Such schedule may be extended pursuant to the terms of the contract.
Types and scope of works	The works which we need to perform and sometimes reference is made to detailed specifications and drawings annexed to the contracts.
Bill of quantities/Schedule of rates	The breakdown of the contract sum itemising the works and quantities, and setting out the price of rate of each items of works.
Terms of payment	We generally submit interim payment applications to our customers on a monthly basis. The credit terms for the settlement of payment by our customers vary from contract to contract. Depending on the terms and conditions of the contracts, the credit term generally ranges from 14 to 45 days from the date of payment certificate.
Variations	Our customer may from time to time during the project period instruct us to make variations to our works and the variations are usually valued by (i) referencing to the rates and prices in the bills of quantities or schedule of rates in the contract; or (ii) adjustment in contract price to be agreed upon.

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Key contract terms	Description
Liquidated damage	Subject to the extension of time pursuant to the contract period, if applicable, we may be required to pay liquidated damage to compensate our customers for each day of delay in the completion of our works.
Retention monies	Our customers are usually entitled to withhold 10% of each progress payment due to us as retention monies, but the total amount of retention monies shall normally not exceed 5% to 10% of the total sum of the subcontracts. Please also refer to the paragraph headed “Business model and our operation – 4. Practical completion of construction works and retention monies” in this section.
Surety bonds	We are sometimes required to take out surety bonds in an amount of certain percentage, usually up to 10%, of the awarded contract sum to the customer to ensure our due performance and observance of a contract.
Defect liability period	We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for certain period after completion of our subcontract work. Please also refer to the paragraph headed “Business model and our operation – 5. Defect liability period” in this section.
Insurance	In general, when we act as the main contractor in a project, we are required to effect and maintain employees’ compensation insurance in compliance with the provisions of the Employees’ Compensation Ordinance in the joint names of our Group, the subcontractors and their respective subcontractors of all tiers. We may also be required to maintain contractors’ all risks insurance that cover the insured scope as provided in the contract.

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Key contract terms	Description
Termination of contracts	Generally, our contracts provide that our customers are entitled to terminate the contract with us if we without reasonable cause fail to commence the works, or fail to proceed with the works with due diligence; or fail to remove defective materials or make good defective works after being instructed by the customer. In general, our Group may terminate the contracts if our customers did not pay an amount certified due to us within the period for payment as stated in the contract; or caused the carry out of the whole or substantially the whole of the works to be suspended for a prescribed period.

Set out below are the key common contract terms that are generally contained in our consultancy contracts during the Track Record Period:

Key contract terms	Description
Scope of works	Our scope of works in each engineering consulting contract is specified in detail, which generally include different tasks to be carried out in various milestones
Terms of payment	We generally submit progress billings to our customers pursuant to the milestones as specified in the contract, or we may issue invoice to our customers on a monthly basis for periodic consultancy services. Depending on the terms and conditions of the contracts, the credit term generally ranges from 14 to 45 days from the date of invoice.
Termination of contracts	Generally, our contracts provide that our consultancy services can be terminated by either our customer or us at any time by serving a one month's notice.

OUR SUPPLIERS AND SUBCONTRACTORS

Procurement of construction materials and services

Major construction materials used by us include steel and concrete, which are sourced by our Group in Hong Kong, and rockfall/debris flow protection barriers which are sourced by our Group in Europe. We also rent machinery from our approved list of suppliers from time to time when the need arises. Generally, unless the customers require us to select suppliers nominated by them, we select our suppliers from our approved list of suppliers. The amount and timing of construction materials to be ordered and the machinery requirements and rental duration are assessed by the project manager of our project management team on a project-by-project basis depending on the progress of works and specific requirements of each project. Materials purchased and machinery rented by us are normally delivered by the suppliers to the construction site directly. We generally do not keep excess inventory.

For construction works which we have delegated to our subcontractors, our subcontractors are generally responsible for the procurement of construction materials and services required for them to complete their works. The construction materials purchased and machinery rented by subcontractors are usually paid by them and are inclusive under the subcontracting fees payable by us to them.

We did not enter into any long-term contract with our suppliers. The price is generally determined by reference to a pre-agreed quotation subject to fluctuations and delivery date as agreed by the parties on an order-by-order basis. The terms of our agreements generally include the type of materials with specified requirements or the services required, the price, the quantity of materials or the duration of service, and the payment terms.

As at the Latest Practicable Date, there were over 200 suppliers on our approved list of suppliers. We select our suppliers from our approved supplier list based on factors including the (i) quality of product or services; (ii) delivery time; (iii) previous working experience with the supplier; (iv) reputation of the supplier; and (v) credit period of the supplier.

Our suppliers generally grant us an average credit period of 0 to 45 days for settling their invoices and we generally settle the payment by cheque. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our works due to material shortages or delays in supply of construction materials.

Our five largest suppliers during the Track Record Period had 1 to 15 years of business relationship with us as at the Latest Practicable Date. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, cost incurred for our five largest suppliers amounted to approximately HK\$24.0 million, HK\$49.1 million, HK\$17.4 million and HK\$11.6 million, respectively, representing approximately 6.8%, 12.5%, 5.4% and 6.9% of our total cost of sales, respectively. For the same periods, cost incurred for our largest supplier accounted for approximately 4.1%, 7.6%, 2.1% and 2.6% of our total cost of sales, respectively.

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Since there are a number of suppliers of construction materials and machinery rental services in the market, our Directors consider that it is feasible to engage alternative suppliers of construction materials and machinery rental services for our Group and we do not overly rely on our existing suppliers.

The following tables set forth the details of our five largest suppliers based on the ranking in respect of the costs incurred during the Track Record Period:

For the year ended 30 September 2015

Rank	Supplier	Commencement of business relationship with our Group	Payment method	Background of the Supplier	Major type(s) of products/services provided	Costs incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Customer U	Since 2014	Contra charge	A construction contractor wholly owned by a company listed on the Main Board which engages in the provision of waterworks engineering services, road works and drainage services and site formation works, landslip preventive and mitigation works, and building works	Construction materials	14,562	4.1%
2	Giant City & Hip On Concrete Limited	Since 2014	By cheque	Concrete supplier based in Hong Kong	Concrete	4,975	1.4%
3	Link Wide International Investment (Hong Kong) Limited ("Link Wide")	Since 2015	By cheque	Steel supplier based in Hong Kong	Steel	1,857	0.5%
4	Neremat Hong Kong Limited	Since 2015	By cheque	Tower cranes and self-assembling cranes supplier based in Hong Kong which is a subsidiary of a Belgium private company	Tower cranes rental	1,409	0.4%
5	K. Wah Concrete Company Limited ("K. Wah")	Since 2015	By cheque	Concrete supplier based in Hong Kong which is a subsidiary of Galaxy Entertainment Group Limited (stock code: 0027) whose shares are listed on the Main Board	Concrete	1,236	0.4%
						24,039	6.8%

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For the year ended 30 September 2016

Rank	Supplier	Commencement of business relationship with our Group	Payment method	Background of the Supplier	Major type(s) of products/services provided	Costs incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	K. Wah	Since 2015	By cheque	Concrete supplier based in Hong Kong which is a subsidiary of Galaxy Entertainment Group Limited (stock code: 0027) whose shares are listed on the Main Board	Concrete	29,872	7.6%
2	Link Wide	Since 2015	By cheque	Steel supplier based in Hong Kong	Steel	10,930	2.8%
3	Geobrugg AG ("Geobrugg")	Since 2003	By telegraphic transfer	Supplier of high-tensile steel wire safety nets and meshes based in Switzerland	Rockfall/debris flow protection barriers	3,533	0.9%
4	Dai I Chi Timber Limited	Since 2015	By cheque	Timber supplier based in Hong Kong	Timber	2,431	0.6%
5	Customer W	Since 2013	Contra charge	A real estate developer based in Hong Kong which invests and develops various residential properties, houses and commercial buildings	Construction materials	2,328	0.6%
						49,094	12.5%

For the year ended 30 September 2017

Rank	Supplier	Commencement of business relationship with our Group	Payment method	Background of the Supplier	Major type(s) of products/services provided	Costs incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Geobrugg	Since 2003	By telegraphic transfer	Supplier of high-tensile steel wire safety nets and meshes based in Switzerland	Rockfall/debris flow protection barriers	6,787	2.1%
2	K. Wah	Since 2015	By cheque	Concrete supplier based in Hong Kong which is a subsidiary of Galaxy Entertainment Group Limited (stock code: 0027) whose shares are listed on the Main Board	Concrete	4,841	1.5%
3	Supplier C	Since 2009	By cheque	Insurance broker based in Hong Kong	Insurance	2,345	0.7%
4	Chi Wah Insurance Consultants Limited	Since 2017	By cheque	Insurance broker based in Hong Kong	Insurance	1,722	0.6%
5	Link Wide	Since 2015	By cheque	Steel supplier based in Hong Kong	Steel	1,691	0.5%
						17,386	5.4%

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For the six months ended 31 March 2018

Rank	Supplier	Commencement of business relationship with our Group	Payment method	Background of the Supplier	Major type(s) of products/services provided	Costs incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Customer T	Since 2017	Contra charge	A construction contractor wholly owned by a company listed on the GEM which engages in the provision of slope works	Construction materials and other costs incurred on behalf of our Group	4,296	2.6%
2	Geobrugg	Since 2003	By telegraphic transfer	Supplier of high-tensile steel wire safety nets and meshes based in Switzerland	Rockfall/debris flow protection barriers	3,244	1.9%
3	Supplier J	Since 2017	By cheque	Building materials supplier in Asia	Castelli seats	2,011	1.2%
4	Supplier H	Since 2017	By cheque	Concrete supplier based in Hong Kong	Concrete	1,154	0.7%
5	Neremat Hong Kong Limited	Since 2015	By cheque	Tower cranes and self-assembling cranes supplier based in Hong Kong which is a subsidiary of a Belgium private company	Tower cranes rental	889	0.5%
						11,594	6.9%

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

Exclusive agency agreement with Geobrugg

We have over 14 years of business relationship with Geobrugg who has been supplying rockfall/debris flow protection barriers to some of our slope work projects. Since November 2003, to enhance the marketing of their products in Hong Kong, Geobrugg has appointed Fong On Geotechnics as the exclusive agent for promotion and selling of their rockfall, debris and mudslides and slope stabilization system products in Hong Kong. In return for our agency services, based on the price level, we would generally receive a commission of approximately 5 – 10% on the amount of sales of such products from Geobrugg to clients referred by Fong On Geotechnics in Hong Kong. According to the Ipsos Report, it is not uncommon for overseas construction materials suppliers to engage construction companies in Hong Kong for agency services. These overseas construction material suppliers often supply proprietary construction materials or products with specific functions and technology designed for certain unique applications. In respect of the rockfall/debris flow protection barriers supply in Hong Kong, due to the relatively remote physical presence of overseas manufacturers, and the difference in geological conditions between the overseas and Hong Kong markets, the agents would often need to design, install or supervise the installation of the rockfall/debris flow protection barriers in addition to the sales and promotion of the materials. Therefore, agency services for rockfall/debris flow protection barriers are generally provided by construction companies in Hong Kong.

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Set out below the principal terms of the exclusive agency agreement entered into between our Group and Geobruigg in October 2017 which was in force as at the Latest Practicable Date:

Principal terms	Description
Duration of the agreement	Two years from the date of the agreement.
Exclusivity	Exclusive for the Geobruigg Geohazard Solutions against rockfall, debris and mudslides and slope stabilization systems products as specified in the exclusive agency agreement in Hong Kong.
Sale and pricing policies	<p>In the event of sales of products to clients referred by Fong On Geotechnics, based on the price level, Geobruigg shall pay Fong On Geotechnics a commission of 5 to 10%.</p> <p>In case of sales of products to Fong On Geotechnics, the net prices will apply and no commission shall be paid by Geobruigg to Fong On Geotechnics. Fong On Geotechnics is entitled to sell and apply the products to any customers.</p>
Payment and credit terms	30 days from the receipt of the payment of the clients by Geobruigg.
Conditions for terminating the agreement	In the event that Geobruigg is not satisfied with the performance of the exclusive agent, Geobruigg may terminate the exclusive agency agreement by serving not less than three months' notice.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, we recognised other income on the agency commission from Geobruigg amounted to approximately HK\$3.9 million, HK\$22,000, nil and nil, respectively. For the same periods, we incurred cost of sales in relation to purchase of rockfall/debris flow protection barriers from Geobruigg for our construction projects amounted to approximately HK\$977,000, HK\$3.5 million, HK\$6.8 million and HK\$3.2 million, representing approximately 0.3%, 0.9%, 2.1% and 1.9% of our total cost of sales, respectively.

Our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of the exclusive agency agreement. To the best knowledge and belief of our Directors, Geobruigg and its ultimate beneficial owners are Independent Third Parties.

Subcontracting

In line with the usual practice of the construction industry in Hong Kong, we engage third party subcontractors to perform various parts of the works under our contracts to increase our cost efficiency and flexibility, instead of maintaining a pool of skilled labour for our construction works. Accordingly, we manage a list of subcontractors of various trades which are able to mobilise sufficient labour, specialists or specific machineries and engage them in accordance with the project needs. Such arrangement enables us to focus on quality control and overall project management and in turn allows us to deploy our resources in a more cost-effective manner.

During the Track Record Period, in our construction projects, we mainly focus on the overall management of the projects, including the planning and devising of detailed work programmes, the engineering design and technical submissions, and we delegate to and coordinate with our subcontractors to perform the relevant construction works under our supervision and quality control. The works we subcontracted to our subcontractors include piling works, excavation and lateral support works, steel bar fixing, plumbing and drainage installation, electrical and mechanical works, and fire engineering services. Depending on our human resources allocation and project management capacity, we may also engage subcontractors to assist us in managing the project.

Our major subcontractors include public companies, private companies and sole proprietorships which have the skills, machinery or manpower available to carry out the works subcontracted to them. There are two types of subcontractors, namely those who are nominated by our customers and those selected by us.

Notwithstanding our practise of engaging subcontractors, we are ultimately responsible for any defective works and/or delay in works of our subcontractors. As such, our Directors consider that a stringent selection process for choosing our subcontractors is necessary. For the subcontractors selected by us, we maintain an internally approved list of subcontractors in order to control our quality of works. For new subcontractors, we take into consideration their job references, relevant experience and comments given by customers or working parties, and we will attempt to understand their financial capability before they are admitted to our list of internally approved subcontractors. Our Directors and senior management will review the approved subcontractor list regularly and decide the admission or removal of subcontractor in or from our approved list in regular management meetings. Such regular review will take into consideration a number of factors, including: (i) timely delivery of work; (ii) quality of work performed; (iii) safety and environmental compliance; and (iv) overall performance. A nominated subcontractor is also required to follow the same quality and safety measures as other subcontractors. For details of our quality control over our subcontractors, please refer to the paragraph headed “Quality control” in this section.

Save for the subcontractors nominated by our customers, we generally select our subcontractors from our approved subcontractor list and invite the relevant subcontractors for quotation. In general, we enter into subcontracting agreements with our subcontractors on a project-by-project basis and we did not enter into any long term agreement with our subcontractors during the Track Record Period. The terms of our contracts with subcontractors, to certain extent, vary in accordance with the terms of the contracts with our

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customers. However, we generally adopt the following principal terms in a typical contract entered into between us and our subcontractor (including our approved subcontractor and customer's nominated subcontractor) for major works:

Major contract terms	Description
Types and scope of works	The scope of services and type of works to be carried out by our subcontractors are specified in the subcontract.
Project duration	The project period with the month of commencement and completion of the project is stated under the contract.
Subcontracting fee and settlement term	Subcontracting fee may be a lump sum fee or in the form of bill of quantities subject to re-measurement. Our subcontractors generally submit interim payment applications on a monthly basis upon which our quantity surveyor will certify the works completed by our subcontractors and interim payment, after deducting any retention money to be retained by our Group, will be made.
Rights and obligation of the subcontractor	Our subcontractors are generally required to comply with relevant terms and conditions in our tender or main contract documents and perform their works in accordance with the relevant specifications in our tender or main contract documents.
Defect liability period	Our Group generally requires a defect liability period of 12 months, or the identical period of the main contract, during which our subcontractors are responsible to rectify all defects identified by us or our customers. If our customers has identified any defects, we will arrange the relevant subcontractor to make good or rectify the defects.
Retention monies	We are generally entitled to withhold 5-10% of each progress payment from our subcontractors as retention monies, but the total amount of retention monies shall not exceed 5% of the total sum of the subcontracts.

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Major contract terms	Description
Liquidated damage	A liquidated damage clause is usually included such that our Group is entitled to claim for damage for any delay caused by our subcontractors.
Termination of the subcontract	Our Group has the right to terminate the subcontract under the situation that our subcontractors (i) cannot complete the subcontract within the specified period; or (ii) commit a serious breach of the regulations stated on the subcontract and repeated failures to improve after verbal or written warnings from our Group.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the total subcontracting charges incurred by our Group amounted to approximately HK\$301.0 million, HK\$302.9 million, HK\$252.4 million and HK\$146.3 million, representing approximately 84.7%, 77.5%, 79.3% and 87.5% of our total cost of sales, respectively. For the same periods, the subcontracting charges incurred for our five largest subcontractors amounted to approximately HK\$179.4 million, HK\$205.8 million, HK\$146.2 million and HK\$76.0 million respectively, representing approximately 50.5%, 52.7%, 45.9% and 45.4% of our total cost of sales, respectively. During the same periods, the subcontracting charges incurred for our largest subcontractor accounted for approximately 17.2%, 25.6%, 19.2% and 19.1% of our total cost of sales, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our contract works due to material difficulties in identifying or engaging the required subcontractors.

Our subcontractors generally grant us credit period of 7 to 45 days for settling their invoices and we generally settle the payment by cheque. Our Directors considered that we had stable relationship with our subcontractors and confirmed that we had no material dispute with our subcontractors in respect of the projects subcontracted to them during the Track Record Period.

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

For the year ended 30 September 2015

Rank	Subcontractor	Commencement of business relationship with our Group	Payment method	Background of the subcontractor	Types of works performed	Subcontracting charges incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Ming Lee Foundation Company Limited ("Ming Lee")	Since 2014	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Ling Yui Holdings Limited (stock code: 784) whose shares are listed on the Main Board	Site formation works, ELS, piling and pile cap construction works	61,151	17.2%
2	Workbase Engineering Limited ("Workbase Engineering")	Since 2013	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Basetrophy Group Holdings Limited (stock code: 8460) whose shares are listed on the GEM	Site formation works, ELS, piling and pile cap construction works	50,051	14.1%
3	Subcontractor T	Since 2015	By cheque	HVAC contractor based in Hong Kong which is a subsidiary of a company listed on the Tokyo Stock Exchange	Heating, ventilation and air conditioning (HVAC) works	26,398	7.4%
4	Win Win Way Construction Company Limited	Since 2015	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Win Win Way Construction Holdings Limited (stock code: 994) whose shares are listed on the Main Board	Piling works	23,003	6.5%
5	Skyforce Engineering Limited	Since 2014	By cheque	MVAC contractor based in Hong Kong	Mechanical ventilation and air conditioning (MVAC) works	18,760	5.3%
						179,363	50.5%

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For the year ended 30 September 2016

Rank	Subcontractor	Commencement of business relationship with our Group	Payment method	Background of the subcontractor	Types of works performed	Subcontracting charges incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Ming Lee	Since 2014	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Ling Yui Holdings Limited (stock code: 784) whose shares are listed on the Main Board	Site formation works, ELS, piling and pile cap construction works	100,095	25.6%
2	Workbase Engineering	Since 2013	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Basetrophy Group Holdings Limited (stock code: 8460) whose shares are listed on the GEM	Site formation works, ELS, piling and pile cap construction works	48,197	12.4%
3	Subcontractor K	Since 2016	By cheque	Construction contractor based in Hong Kong	Formwork works	24,226	6.2%
4	Subcontractor E	Since 2014	By cheque	Construction contractor based in Hong Kong	Foundation works	22,807	5.8%
5	Subcontractor C	Since 2014	By cheque	Construction contractor based in Hong Kong	Rebar fixing works	10,447	2.7%
						205,772	52.7%

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For the year ended 30 September 2017

Rank	Subcontractor	Commencement of business relationship with our Group	Payment method	Background of the subcontractor	Types of works performed	Subcontracting charges incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Ming Lee	Since 2014	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Ling Yui Holdings Limited (stock code: 784) whose shares are listed on the Main Board	Site formation works, ELS, piling and pile cap construction works	61,014	19.2%
2	Workbase Engineering	Since 2013	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Basetrophy Group Holdings Limited (stock code: 8460) whose shares are listed on the GEM	Site formation works, ELS, piling and pile cap construction works	41,120	12.9%
3	Subcontractor E	Since 2014	By cheque	Construction contractor based in Hong Kong	Foundation works	20,884	6.5%
4	Subcontractor K	Since 2016	By cheque	Construction contractor based in Hong Kong	Formwork works	11,667	3.7%
5	Subcontractor S	Since 2015	By cheque	Construction contractor based in Hong Kong	Metal cladding and window works	11,509	3.6%
						146,194	45.9%

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For the six months ended 31 March 2018

Rank	Subcontractor	Commencement of business relationship with our Group	Payment method	Background of the subcontractor	Types of works performed	Subcontracting charges incurred (HK\$'000)	Approximate % of our total cost of sales (%)
1	Workbase Engineering	Since 2013	By cheque	Construction contractor based in Hong Kong which is a subsidiary of Basetrophy Group Holdings Limited (stock code: 8460) whose shares are listed on the GEM	Site formation works, ELS, piling and pile cap construction works	31,920	19.1%
2	Subcontractor A	Since 2017	By cheque	Construction contractor based in Hong Kong	Slope works	17,236	10.3%
3	Subcontractor G	Since 2017	By cheque	Construction contractor based in Hong Kong	General building works and associate services	10,587	6.3%
4	Subcontractor Y	Since 2009	By cheque	Construction contractor based in Hong Kong	Concreting works	8,406	5.0%
5	Subcontractor B	Since 2010	By cheque	Construction contractor based in Hong Kong	Slope works	7,803	4.7%
						75,952	45.4%

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

During the Track Record Period, one of our subcontractors, Hip Shing is a connected person of our Company under Chapter 14A of the Listing Rules. For details of our subcontracting arrangement with Hip Shing, please refer to the sections headed “Connected Transactions” and “Financial Information – Related party transactions and balances” in this prospectus.

Concentration of subcontractors

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our five largest subcontractors accounted for approximately 50.5%, 52.7%, 45.9% and 45.4% of our total cost of sales whereas our largest subcontractor accounted for approximately 17.2%, 25.6%, 19.2% and 19.1% of our total cost of sales, respectively. Despite such concentration of subcontractors, our Directors consider that we are not overly reliant on any single subcontractor for the following reasons:

- (i) some of the projects undertaken by us were of relatively large contract sum and would last for a relatively longer period of time. When we engage a subcontractor for such projects, a substantial amount of subcontracting charges may be payable to such subcontractor, resulting in it becoming one of our largest subcontractors in a financial year;

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- (ii) our Directors consider that there are abundant subcontractors providing the same kind of services in the market. According to the Ipsos Report, the overall construction industry consists of a considerable number of subcontractors;
- (iii) we maintain an internal list of approved subcontractors which is reviewed and updated regularly. As at the Latest Practicable Date, we have over 170 approved subcontractors on our approved list. In respect of our comprehensive list of approved subcontractors, our Group already has a reasonably diversified base of reliable subcontractors which meet our quality standards; and
- (iv) our Directors consider that having stable relationship with our subcontractors would be beneficial to our Group as it could enable our Group to have comprehensive assessment of their quality of works and mobilise labour of specific trades at predictable costs.

MACHINERY

Most of the works involved in our construction projects require the use of machinery and construction equipment. To satisfy such need, during the Track Record Period, we principally required our subcontractors to provide the necessary machinery for carrying out their construction works. We also rented certain machinery which are commonly used for various constructions activities. Our subcontractors generally charged us a fee for arranging such machinery and construction equipment and such fees are generally included in the subcontracting charges. Based on our subcontractors' quotations, to the best knowledge of our Directors, the aggregate machinery costs included in our subcontracting charges accounted for over 20% of our subcontracting charges incurred during the Track Record Period. In addition, we also incurred approximately HK\$8.5 million in machinery rental costs from machinery rental services providers during the Track Record Period.

The following table sets out the major types of machinery needed for our construction works:

Machinery	Function
Air Compressor	Force air into a chamber and compress the air to provide high-pressure air to power pneumatic tools, such as jackhammers
Crawler Crane	To grab, chisel and lift during large diameter bored piling operation
Excavator	Consist of boom, arm, bucket and cab on an upper structure which could rotate. The upper structure sits atop an undercarriage with tracks or wheels

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Machinery	Function
Hydraulic Casing Oscillator	Together with the crawler crane and steel casings as excavation tool to form a bore hole into the ground during large diameter bored piling operations
Piling Rig	To drive piles into soil to provide foundation support
Reverse Circulation Drill	To drill hard materials during large diameter bored piling operations
Tower Crane	To provide a combination of height, distance and lifting capacity during construction of buildings
Others	Including mobile generator, loader, rollers and other commonly used construction machinery

During the six months ended 31 March 2018, we have purchased certain second-hand machinery of approximately HK\$3.3 million for our projects use. The machinery we purchased mainly included mobile crane, drilling machines and air compressors. Our Directors believe that it is beneficial for our Group to acquire additional machinery after the Listing. For further information regarding our plan to acquire new machinery and construction equipment, please refer to the paragraph headed “Business strategies” above as well as the section headed “Future Plans and Use of Proceeds” in this prospectus.

QUALITY CONTROL

To maintain consistent quality of services for our customers, we have established a quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. We take an active approach to monitor the progress of each project. Our executive Directors and our project management team maintain frequent dialogue with our customers, suppliers and subcontractors in order to make sure that each project is carried out according to the agreed plan. For details, please also refer to the paragraph headed “Business model and our operation” in this section.

Quality control on our services

Quality of our services is controlled by our project management team, which has to ensure the works done by our staff and our subcontractors will comply with all contractual and regulatory requirements. Our project management team is in frequent communication with our site workers and subcontractors on the construction programme, the contract specifications, project progress, technical issues and deployment of labour and machinery. Our project management team performs on-site inspections and inspect most of the work stream to identify and rectify defects, checks whether the progress is in line with the works schedule and arranges additional resources to expedite if necessary.

Quality control on our subcontractors

Since we are held responsible for the works performed by our subcontractors, we emphasise heavily on the discipline of our subcontractors, and require them to adhere strictly to our project management team's instructions and customers' requirements, and follow our internal control measures in relation to quality control, safety and environmental compliance. 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.

Quality control on our construction materials

We closely monitor the quality of purchased construction materials. Our purchased construction materials are sent directly to the relevant work sites for inspection by our foremen and engineers before utilisation. During the inspection, we will check whether the quantity is correct, and whether there are any observable defects. In addition, our Group also engages independent professionals to perform inspection and quality tests on certain materials such as steel and concrete. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement.

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

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MAJOR QUALIFICATIONS, LICENCES AND CERTIFICATIONS

Registrations and qualifications

We hold various licences and qualifications in respect of our operation. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary licences and qualifications which are material to our business operations and such licences and qualifications remained valid as at the Latest Practicable Date. The following table summarises details of the licences and/or qualifications held by our Group members as at the Latest Practicable Date:

Issuing authority	Type of registration	Category	Holder	Expiry date	Authorised contract value
Buildings Department	Registered specialist contractor	Foundation works	Fong On Construction	29 July 2021	Not applicable
		Site formation works	Fong On Construction	29 July 2021	Not applicable
		Ground investigation field works	Fong On Construction	29 June 2021	Not applicable
		Demolition works	Fong On Construction	24 July 2021	Not applicable
	Registered general building contractor	General building works	Fong On Construction	26 September 2021	Not applicable
			Po Shing Construction	18 February 2020	Not applicable
Development Bureau	Approved contractor for public works	Buildings works – Group A (probation)	Po Shing Construction	Not applicable (Note)	Up to HK\$100 million
	Approved suppliers of materials and specialist contractor for public works	Landslip preventive/remedial works to slopes/retaining walls (probation)	Fong On Construction	Not applicable (Note)	Not applicable
Construction Industry Council	Registered subcontractor	General civil works	Fong On Geotechnics	13 December 2018	Not applicable
		Structural and civil works, finishing works and electrical and mechanical works	Po Shing Construction	3 December 2018	Not applicable

Note: Registration or qualification with the Development Bureau is not subject to periodic renewal condition except for capital requirements. Please refer to the section headed “Regulatory Overview” in this prospectus for further details.

The registration as general building contractor and specialist contractor under the Buildings Department shall be renewed every three years and the application of renewal should be submitted not earlier than four months and not later than 28 days prior to the date of expiry of the registration by providing information and supporting documents to show continued compliance with the entry requirements. The registration as registered

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subcontractor under the Subcontractors Registration Scheme shall be renewed every three years or five years and the application of renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents to show continued compliance with the entry requirements.

Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing such licences and qualifications during the Track Record Period and up to the Latest Practicable Date. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and qualifications.

Furthermore, in order to maintain our registration with the Buildings Department, Fong On Construction and Po Shing Construction, our operating subsidiaries, must have at least one Authorized Signatory and one Technical Director to act for each of them for the purpose of the Buildings Ordinance and to carry out certain duties. For details, please refer to the section headed “Regulatory Overview – Laws and regulations in relation to contractor licensing and registration” in this prospectus.

As at the Latest Practicable Date, the role of our Authorised Signatory was taken up by Dr. CW Lau and Mr. CM Lau, and the role of Technical Director was taken by Dr. CW Lau and Mr. CM Lau for Fong On Construction and Po Shing Construction, respectively. In the event of departure of Dr. CW Lau and/or Mr. CM Lau from our Group, our Group has other candidates readily be available to take up the position of Authorized Signatory and/or Technical Director, namely, Dr. CK Lau being our executive Director, Mr. Fong Pak Tong being one of our senior management team members and two of our other existing employees who are Registered Professional Engineers and qualified to act as our Authorised Signatory and/or Technical Director. Our Directors consider that the risk of disruption to our operation in the event of unforeseen departure of Dr. CW Lau and Mr. CM Lau is remote given that we have a sufficient number of capable candidates to fulfil such roles in such circumstances.

Certifications

As at the Latest Practicable Date, we have obtained the following certifications in recognition of our quality control system:

Certification	Description	Awarding organisation or authority	Holder	Expiry date
ISO 9001:2015	Certification of quality management system (<i>Note 1</i>)	Hong Kong Quality Assurance Agency	Fong On Construction	29 September 2021
	Certification of quality management system (<i>Note 2</i>)	Hong Kong Quality Assurance Agency	Po Shing Construction	25 June 2020
	Certification of quality management system (<i>Note 3</i>)	Hong Kong Quality Assurance Agency	James Lau & Associates	26 February 2021

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Certification	Description	Awarding organisation or authority	Holder	Expiry date
ISO 14001:2015	Certification of environmental management system <i>(Note 2)</i>	Accredited Certification International Limited	Po Shing Construction	31 January 2021
OHSAS 18001:2007	Certification of occupational health and safety management system <i>(Note 2)</i>	Accredited Certification International Limited	Po Shing Construction	31 January 2021

Notes:

1. The certification concerns our site investigation services, construction of site formation works, construction of landslip preventive and remedial works to slopes and retaining walls, design and construction of bored pile, driven H-pile, mini-pile and pile cap, design and construction of buildings, and demolition of buildings.
2. The certification concerns our services of construction of buildings.
3. The certification concerns our provision of design and consultancy services in architecture, structure, geotechnical engineering, electrical, plumbing and drainage system.

COMPETITION

According to the Ipsos Report, the foundation and site formation industry in Hong Kong is fairly consolidated with the top five players for 2017 generating revenue ranging from approximately HK\$1,001.9 million to HK\$3,111.9 million representing in aggregate a market share of approximately 47.9% in terms of revenue. Our Group recorded approximately HK\$131.8 million of revenue from foundation and site formation works for the year ended 30 September 2017, which accounted for approximately 0.6% of the total market share of the foundation and site formation industry in Hong Kong for 2017 in terms of revenue.

The general building works industry in Hong Kong is fragmented with the top five players for 2017 generating revenue ranging from approximately HK\$3,275.7 million to HK\$3,776.3 million representing in aggregate a market share of approximately 14.1% in terms of revenue. Our Group recorded approximately HK\$172.5 million of revenue from general building works and associated services for the year ended 30 September 2017, which accounted for approximately 0.1% of the total market share of the general building works industry in Hong Kong for 2017 in terms of revenue.

As of September 2018, according to the Ipsos Report, it was estimated that there were an aggregate of over 300 foundation and site formation and over 700 general building works contractors in Hong Kong. The key factors of competition in the foundation and site formation industry and the general building works industry in Hong Kong include (i) business relationship; (ii) industry reputation and proven track record; (iii) quality of works;

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and (iv) competitive project pricing. For details of the competitive landscape of the foundation and site formation industry and the general building works industry in Hong Kong, please refer to the section headed “Industry Overview” in this prospectus.

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

OUR EMPLOYEES

As at the Latest Practicable Date, we had 41 full-time employees who were directly employed by us in Hong Kong. The following table sets out the number of our employees by function:

Functional role	Number
Executive Directors and senior management	6
Accounting, finance and administration	6
Design and engineering	15
Quantity surveyor	3
Safety and environment	1
Site workers	<u>10</u>
Total	<u><u>41</u></u>

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

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority. We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

We have not set up any trade union for our employees. We have not had any strikes or other material labour disputes that have materially disrupted our operations, during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that we have maintained a good working relationship with our employees.

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PROPERTY INTERESTS

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

Property	Monthly rental expenses	Approximate gross area (sq.ft.)	Use of the property	Duration
Units 1901-1904, China Merchants Building, 152-155 Connaught Road Central, Hong Kong	HK\$90,000	2,849	Office	Up to 30 April 2020
Portion of land located at Whitehead Site, Ma On Shan, New Territories	HK\$40,256	9,149	Storage of Machinery	Up to 13 March 2019

INTELLECTUAL PROPERTY RIGHTS

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

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

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

ENVIRONMENT

Our Group’s operation at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollution control, waste disposal, environmental impact assessment and public health control. For details of the regulatory requirements, please refer to the section headed “Regulatory Overview” in this prospectus.

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We are committed to minimising the adverse impact to the environment caused by our business operations. We have established our environmental policies to be followed by both our employees and workers of our subcontractors on, among others, air pollution, noise control and waste disposal. In recognition of our environmental policies, we were awarded the ISO 14001:2015 certificate (environmental management system accreditation) in 2018. For details, please refer to the paragraph headed “Major qualifications, licences and certifications” in this section. 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.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our aggregate cost of compliance with applicable environmental laws and regulations in Hong Kong amounted to approximately HK\$131,000, HK\$84,000, HK\$108,000 and HK\$26,000, respectively, which primarily consisted of dumping charges for wasted materials. Our Group estimates that the annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with our scale of operation.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and work safety measures

We place strong emphasis on occupational health and work safety during the delivery of our services not only to uphold our value on corporate social responsibility and maintain our reputation, but also not to put our employees, subcontractors, the other parties in the construction site as well as the general public in situation that threatens their health and safety. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations, details of which are set out in the section headed “Regulatory Overview” in this prospectus. In recognition of our occupational health and safety system, we were awarded the OHSAS 18001:2007 certificate (occupational health and safety management system accreditation) in 2018. For details, please refer to the paragraph headed “Major qualifications, licences and certifications” in this section.

Due to the inherent nature of works in construction sites which very often involves working at height and usage of mechanical equipment and machinery, construction workers are constantly subjected to risks of accidents or injuries. To mitigate such risks, we have established safety plans and in-house rules to provide our employees and our subcontractors’ employees with a safe and healthy working environment by specifying various safety measures. The provisions include the following:

- All members of our project management team, our direct labour and our subcontractors’ labour are required to wear required safety equipment, including safety helmet, which must also meet the safety standard, for entering construction;

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- All labour must present valid Green Card for our record;
- The performance of all equipment, devices and tools must be checked for safety before use and their number must not exceed safety limit;
- All subcontractors must report safety incidents to our safety officer;
- Our staff and our subcontractors' workers entering project sites are required to observe the occupational health and safety measures and our policy. Subcontractors must ensure their workers work safely and care for others; and
- We have formal written notice for the arrangement during adverse weather, typhoon, fire and other emergency situation.

We have employed one qualified safety officer to monitor and implement our work safety measures on a full-time basis during the Track Record Period. Our safety officer conducts regular internal safety inspections. Our safety officer is also responsible for setting up regular safety training for our employees and employees of our subcontractors to ensure competency to perform specific assigned tasks and ensuring that a proper staff training record is kept. When necessary, we also employ additional safety officers on contract basis for the relevant project sites and last for the duration of the projects. We have also engaged an external registered safety auditor to carry out safety audit twice annually.

System of recording and our safety record

If an accident occurs, the injured worker (including our employees and our subcontractor's employees) or the person who witnessed the accident is required to report to our site staff or safety officer. Our safety officer will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved and take statements from the injured worker, witness of the accident and other relevant personnel. If the accident is a "reportable accident", which is a workplace accident that is required to be reported to the Labour Department as assessed by our safety officer, our safety officer will prepare an accident report and submit it to our project manager for review and then submit it to the main contractor of the project (if we act as subcontractor in the project) or to the Labour Department (if we act as main contractor in the project) within the period as specified under the relevant laws and regulations.

Remedial actions will be taken by our project team to remove imminent danger and to prevent similar accidents from occurring again. Our safety officer will carry out follow-up inspection to ensure that remedial works are implemented.

For the years ended 30 September 2015, 2016 and 2017, and the period from 1 October 2017 and up to the Latest Practicable Date, we recorded 5, 10, 16 and 1 accidents, respectively, involving injuries to workers who were either employed by our Group or by our subcontractor(s) in the corresponding period. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material accidents involving fatal injuries. For details of outstanding litigation and potential claims relating to employees'

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compensation claims under the Employees' Compensation Ordinance or personal injury claims under common law against our Group, please refer to the paragraph headed "Legal proceedings and potential claims" in this section.

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

	Construction Industry average rate (Note 1)	Our Group's rate (Note 2)
	From 1 January to 31 December 2015	For the year ended 30 September 2015
Accident rate per 1,000 workers	39.1	25.9
Fatality rate per 1,000 workers	0.20	–
	From 1 January to 31 December 2016	For the year ended 30 September 2016
Accident rate per 1,000 workers	34.5	24.1
Fatality rate per 1,000 workers	0.09	–
	From 1 January to 31 December 2017	For the year ended 30 September 2017
Accident rate per 1,000 workers	Not available	49.3
Fatality rate per 1,000 workers	Not available	–

Notes:

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

The accident rate per 1,000 workers of our Group remained stable at 25.9 and 24.1 for the years ended 30 September 2015 and 2016, respectively, and increased to 49.3 for the year ended 30 September 2017. As the increase in the number of reportable accidents during 2017 were mainly from the construction of organic waste treatment facilities at Lantau Island (Project P00424), our Directors consider that the increase in accident rate was mainly

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due to (i) high amount of labour intensive works undertaken including formwork works, rebar fixing works and concreting works for the above mentioned project, which had increased our exposure to accidents; and (ii) our Group was involved in the construction of several buildings at the project site with other contractors engaged by our customer simultaneously, resulting in the project site being relatively more congested with large number or amount of site workers, machineries and construction materials, which created an inherently more adverse site environment and condition. Further, our Directors consider that the said accidents mainly consisted of injuries which were relatively minor in nature, including contusion and bruise, sprain and strain and laceration and cut. Therefore, our Directors are of the view that the increase in accident rate does not reflect any inadequacy or ineffectiveness of our safety control measures in place.

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

For the year ended 30 September 2015	9.5
For the year ended 30 September 2016	8.9
For the year ended 30 September 2017	18.3

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries ("LTIs") occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the financial year by 1,000,000 and then dividing by the number of hours worked by the workers over that financial year.
2. The number of working days of construction site workers for the years ended 30 September 2015, 2016 and 2017 were approximately 301 days, 302 days and 302 days, respectively. It is assumed that the working hour of each worker is nine hours per day.
3. The employees of our Group and employees of our Group's subcontractors participated in our projects are included in the LTIFRs as shown above.

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

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

Nature and type of industrial accidents	Safety measures and requirements undertaken
Contusion, bruise, sprain and/or fracture injury caused in connection with slipping and falling on floor	Workers are required to strictly follow our Group's relevant safety rules to maintain safe work environment and site tidiness. In circumstances where working on slippery or uneven road surface is inevitable, we require our workers to strictly follow our relevant safety guidelines for working on slippery or uneven road surface, such as the use of different protective equipment, like slip-proof safety shoes.
Contusion, laceration and/or fracture injury caused in connection with lifting and disposing of materials	We always seek to minimise the needs for our workers to handle and lift heavy materials where possible. In circumstances where manual handling of heavy materials is inevitable, our Group will arrange to provide relevant facilities such as hydraulic truck cranes, loaders or carts to facilitate such manual works. Training to workers in relation to the correct handling techniques will also be conducted in accordance with the relevant rules and regulations.
Contusion, bruise, sprain and/or fracture injury caused in connection with falling from high-altitude	Workers are required to strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted within lift shafts and at a height of two metres or above, the relevant working platforms or structures shall be inspected by competent person before commencement of work and regularly during the course of execution of the work. Depending on the height of works, each worker is strictly required to wear safety harness.

To ensure the abovementioned safety measures will be followed by our workers and the workers of our subcontractors, our site agents and safety officer will carry out regular visits and inspections at our construction sites. In particular, our site agents will stop any unsafe act and suspend any dangerous operation, and check to ensure that all plant and equipment are safe and suitable for work. Our safety officer will ensure the implementation of safety management system, communication with the safety officers of other contractors at all tiers, development of safety training program to ensure that our workers and the workers of our subcontractors are properly trained in order to follow our safety rules. Our project manager will have regular safety meetings with our site agents and safety officer to evaluate our safety rules and policies, and if necessary, update and revise the same.

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Our Group regularly engages external safety consultants to carry out safety audit for our Group and/or our construction sites. In January 2018, a safety audit was conducted by a registered safety auditor for our Group. There was no material deficiencies identified in the safety management system of our Group in the safety audit. Our safety control measures were considered adequate and effective in mitigating safety risks of our Group and reducing the occurrence of accidents or injuries to workers on our Group's construction sites, and our general site safety conditions were found to be maintained at a satisfactory level.

INSURANCE

It is common practice in the Hong Kong construction industry, as well as a term of most construction contracts between main contractors and customers, that the main contractor of a project will take out and maintain employees' compensation insurance and contractors' all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all of its subcontractors. However, the subcontractors are generally required to maintain insurance over their own machinery.

All projects undertaken by us and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance. Depending on the terms of the relevant contracts, such insurances are taken out either by us (in the case of us being a main contractor) or the main contractors (in the case of us being a subcontractor). When acting as a subcontractor, we generally do not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant main contractor. The relevant subcontracting agreements explicitly provide for our reliance on the main contractors' insurance policies. Subject to the contract terms as agreed with our subcontractors on a project-by-project basis, we may require our subcontractors to share the insurance cost of the contractors' all risks and employee's compensation insurance in occasion.

Our contractors' all risks insurance generally covers:

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

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Our Group has insurance cover for the liabilities under employees' compensation and personal injury claims, which meets the statutory minimum insurance coverage of HK\$200 million per incident. We also have insurance cover for our general liability covering, among others, office contents and vehicles in Hong Kong, and professional indemnity insurance cover for our consultancy business.

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the total insurance expenses incurred by us (including those under our cost of sales and our administrative and other operating expenses) amounted to approximately HK\$2.3 million, HK\$880,000, HK\$4.6 million and HK\$837,000, respectively. Taking into account the insurance practice and the insurances taken out by us as stated above, our Directors believe that our current insurance policies provide sufficient coverage for the risks to which we may be exposed to and are in line with the industry norm. Our Directors confirm that all material claims and potential claims have been disclosed in the paragraphs headed "Occupational health and safety" and "Legal proceedings and potential claims" in this section, and no other material claims have been made in respect of any of our insurance policies during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS AND POTENTIAL CLAIMS

As at the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of the outstanding claims and litigations against our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

(a) Past and outstanding employees' compensation claims against our Group during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, there had been 33 employees' compensation claims submitted to the Labour Department against our Group, 15 of which were fully settled while the remaining 18 outstanding claims are still ongoing. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Our Directors confirm that all of the 15 settled and 18 outstanding employees' compensation claims were fully covered by the relevant insurance taken out by our Group.

The number of accidents in relation to the employees' compensation claims submitted to the Labour Department against our Group for each of the three years ended 30 September 2017 and up to the Latest Practicable Date is set out below:

For the year ended 30 September 2015	For the year ended 30 September 2016	For the year ended 30 September 2017	From 1 October 2017 and up to the Latest Practicable Date
5	10	16	2

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The table below sets out the nature of injury leading to the 32 employee's compensation claims submitted to the Labour Department:

Type of injury	Number of accidents
Abrasion	3
Contusion and Bruise	9
Crushing	1
Fracture	5
Irritation	1
Laceration and Cut	4
Sprain and Strain	8
Others	<u>2</u>
Total	<u><u>33</u></u>

(b) Civil litigation against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there were 18 outstanding civil litigations against our Group, to which our Group had received the relevant summons and legal proceedings had been commenced. Our Directors confirm the respective insurers have taken over conduct of all 18 of the legal proceedings initiated against our Group as at the Latest Practicable Date. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Besides the civil litigation above, all injured individuals may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents. As these potential claims have not yet been filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these incidents and notices of such incidents have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. These cases were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or have an adverse impact on our Group to obtain any licences or permits for our operation.

To the best knowledge of our Directors, all injured persons under these employees' compensation claims and personal injury claims have suffered insignificant bodily injuries. During the Track Record Period and up to the Latest Practicable Date, our Group or our main contractors are required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong for an amount of no less than HK\$200 million per accident. Therefore, all such

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employees' compensation claims and personal injury claims are expected to be fully covered by the insurance policies either maintained by our Group or our main contractors. For details, please refer to the paragraph headed "Insurance" in this section.

Our Directors further confirm that they were not personally involved, whether collectively or individually, in any of the above claims and litigations.

LEGAL AND REGULATORY COMPLIANCE

As confirmed by our Directors, we had no material non-compliance of applicable laws and regulations in Hong Kong that would materially affect our Group's operation and financial position during the Track Record Period and up to the Latest Practicable Date.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 17 September 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. Further details of the Deed of Indemnity are set out in the section headed "Statutory and General Information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Operational risks

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

Labour shortage risk

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

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Project delay risk

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

Health and safety risk

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

Credit risks

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

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

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Market risks

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to political filibustering for approving new funding and objections or legal actions by the affected members of the public, may affect our project portfolio and original plans of purchase of construction materials or deployment of labour. Our Directors closely monitor the works forecasted by the Government, the number of new projects to be undertaken by the Development Bureau, tender results of commercial or residential sites so as to adjust our business strategies and assess our participation in the public or private sectors. It is our Directors' responsibility to identify and assess the prevailing economic condition and market risks and adopt different policies from time to time to mitigate market risks.

Risk management

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

Our Board oversees and manages the overall risks associated with our operations. Moreover, our Audit Committee will review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three members, namely Mr. Pang Ka Hang, who serves as the chairman of the committee, Mr. Wong Chun Nam and Mr. Leung Bing Kwong, Edward. For the qualifications and experience of these risk management team members namely our executive Directors and committee members, please refer to section headed "Directors, Senior Management and Employees" in this prospectus.

Our internal control system

We endeavor to maintain sound and effective internal control system to safeguard Shareholders' value and our assets. In preparing for the Listing and efforts to improve our internal control system, in September 2017, we engaged Sam K. M. Ng CPA Limited (the "IC Consultant"), an independent internal control adviser, to perform evaluation under the Committee of Sponsoring Organisation of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system, including the areas of financial, operation, corporate governance, compliance and risk management. The IC Consultant performed an internal control review in October 2017. Upon completion of such

BUSINESS

review, the IC Consultant identified certain findings in relation to our internal control policies and procedures. The major findings together with the recommended internal control measures as suggested by the IC Consultant are set out in the table below:

Major findings	Recommended measures
Formalised framework for monitoring and reporting inside information was insufficient	<ul style="list-style-type: none">– implement and maintain a sound and effective internal control system to identify, report and escalate potential inside information in a timely and reliably manner;– conduct an annual review of the effectiveness of the internal control system, including inside information; and– formalise supervision and post review system to avoid personal breaching of all applicable laws, rules and regulations
Corporate governance, environmental, social and governance and related guidelines had not been established	<ul style="list-style-type: none">– establish a corporate governance policy that is at least commensurate with Appendix 14 to the Listing Rules; and– consider the disclosure requirements and prepare for the environmental data collection in accordance with Appendix 27 to the Listing Rules
Accounts receivable monitoring and follow-up procedures had not been established	<ul style="list-style-type: none">– formalise the accounts receivable monitoring and collection procedures, including the requirements of follow-up actions and reporting mechanism;– establish policies on bad debt provisions and write-off. Approval should be obtained for bad debt provisions and write-off of accounts receivable balances; and– send monthly accounts receivable statement on a regular basis to all customers and evidences should be documented

We have fully implemented all the recommended measures suggested by the IC Consultant and the IC Consultant has also performed a follow-up review in January 2018 to understand the status of the recommended measures. The IC Consultant is of the view that we have satisfactorily implemented all the recommended measures based on the follow-up review.

BUSINESS

Corporate governance

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

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any options that may be granted under the Share Option Scheme), Dr. CW Lau, Mr. CM Lau, and Dr. CK Lau through Elite Bright will own 75% of our Company's issued share capital. For the purpose of Listing Rules, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (an investment holding company owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau) are a group of Controlling Shareholders.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

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

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to its business needs. As at 31 July 2018, the net amount due from our Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, and Dr. CK Lau is approximately HK\$6.0 million and the sum will be settled before Listing. In addition, all of the personal guarantees executed by our Controlling Shareholders, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau and Ms. Ng Kooi Har (spouse of Mr. CM Lau) and the legal charge over the property held by Mr. CM Lau and Ms. Ng Kooi Har, in favour of our Group will be released and replaced by a corporate guarantee executed by our Company before Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

(ii) Operational independence

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main functions of our Board include the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board comprises three executive Directors and three Independent non-executive Directors. Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, being our executive Directors, are also the overlapping directors of Elite Bright, one of our Controlling Shareholders. None of the other Directors nor members of senior management hold any directorship or position in Elite Bright.

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

RULE 8.10 OF THE LISTING RULES

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

LOCK-UP UNDERTAKINGS

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules, he/it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders 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 the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) in the period of six months commencing on the date on which the period referred to in (i) 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 (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) or they would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company that he/it will, within the period commencing on the date by reference to which disclosure of his or her or its shareholding is made in the Prospectus and ending on the date which is 12 months from the Listing Date, immediately inform our Company of:

- (i) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of the Controlling Shareholders in favour of any 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 for a bona fide commercial loan, and the number of such Shares or securities of our Company so pledged or charged; and
- (ii) when he/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and our Controlling Shareholders, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Elite Bright (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with our Company (for itself and for and on behalf of its subsidiaries) on 17 September 2018. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for and on behalf of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all of our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Director(s) (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her associates has/have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (v) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent half of the composition of our Board and they are professionals in different industries. We believe that the presence of our independent non-executive Directors provides a balance of view and independent judgment in the decision making process of our Board and that they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees – Independent non-executive Directors” in this prospectus; and
- (vi) we have appointed Frontpage Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

The following transactions have been carried out by our Group and a connected person of our Company during the Track Record Period and are expected to continue following the Listing and will constitute continuing connected transactions for our Company under the Listing Rules.

CONNECTED PERSON

Hip Shing is a company owned as to approximately 33.3% and 66.7% by Mr. Lee Yung Ling Christopher (“**Mr. Christopher Lee**”) and Ms. Leung Siu Lan Teresa (the spouse of Mr. Christopher Lee), respectively. As Mr. Christopher Lee was a director of Po Shing Construction from January 2004 to December 2017, Hip Shing is therefore a connected person of our Company at the subsidiary level under the Listing Rules until December 2018. Hip Shing is a construction and engineering contractor and consultant in Hong Kong.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Hip Shing Framework Agreement

On 10 September 2018, Po Shing Construction entered into the Hip Shing Framework Agreement with Hip Shing for a term from the Listing Date and ending on 30 September 2019, pursuant to which Hip Shing has agreed to provide project management services in the capacity of a subcontractor.

Pricing policy

The subcontract sums to be payable under the Hip Shing Framework Agreement were determined on a project-by-project basis through arm’s length negotiation based on the quotations provided by Hip Shing, after taking into account factors including the nature and complexity of the projects, the technical requirements, the construction schedule and the market conditions. The subcontract sums are subject to additional works or variation instructed by Po Shing Construction and shall be payable by Po Shing Construction to Hip Shing in stages in accordance with the terms of each project based on the measured value of work done.

Historical transaction amount

For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the aggregate subcontracting charges incurred by Po Shing Construction to Hip Shing under subcontracting arrangements amounted to approximately HK\$2.1 million, HK\$3.2 million, HK\$2.8 million and HK\$2.5 million, respectively.

Annual caps

For the years ending 30 September 2018 and 2019, the estimated aggregate subcontracting charges to be payable to Hip Shing pursuant to the Hip Shing Framework Agreement are estimated to be HK\$6,500,000 and HK\$690,000, respectively.

CONNECTED TRANSACTIONS

Basis of the annual caps

The annual caps are mainly determined with reference to the outstanding subcontract sums and the estimated value of works to be performed by Hip Shing under the Hip Shing Framework Agreement. As we intend to utilise a portion of the net proceeds from the Share Offer to enhance our project management capacity by strengthening our manpower, we currently do not expect to enter into any new subcontract with Hip Shing.

Reasons for and benefits of the transaction

Our Group has been subcontracting project management services to Hip Shing during and prior to the Track Record Period and our Directors consider that Hip Shing has become familiar with our business processes and needs, quality standards and operational requirements through long-term business cooperation with us. Hip Shing therefore possesses the necessary capabilities required to carry out the management services contemplated in the Hip Shing Framework Agreement.

The Hip Shing Framework Agreement was entered into on 10 September 2018 in the ordinary course of business for the purposes of allowing the Group to deliver project management services efficiently and effectively, having taken into consideration, among others, (i) our human resources and our project management capacity have been highly engaged by our projects on hand at the relevant time; (ii) the scale and complexity of the projects; (iii) the industry experience of Hip Shing and its ability to assist us in delivering quality services while increasing flexibility of our resource allocation; and (iv) our good and long standing relationship with Hip Shing. Our Board is of the view that it is in the best interest of our Group to subcontract management works of the relevant projects to Hip Shing as specified under the Hip Shing Framework Agreement.

Listing Rules implications

Since all of the applicable percentage ratios (other than the profits ratio) for the Hip Shing Framework Agreement is expected to be less than 5% but more than 1% on an annual basis, the transactions contemplated under the Hip Shing Framework Agreement will be subject to the reporting, annual review and announcement requirements under Rule 14A.35 and 14A.49 of the Listing Rules.

WAIVER

As the above non-exempt continuing connected transactions are expected to continue after Listing until the works contemplated under the Hip Shing Framework Agreement are completed or when Hip Shing ceases to be a connected person of our Group, our Directors consider that strict compliance with the announcement requirement will be impractical and unduly burdensome and would impose unnecessary administrative cost upon us.

Accordingly, we have applied to the Stock Exchange for waiver from strict compliance with the announcement requirement for the transactions under the Hip Shing Framework Agreement. The waiver from strict compliance with the Listing Rules in respect of the continuing connected transactions under the Hip Shing Framework Agreement is subject to

CONNECTED TRANSACTIONS

the conditions that (i) the above non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules; and (ii) the aggregate value of the non-exempt continuing connected transactions for the years ending 30 September 2018 and 2019 will not exceed the relevant annual caps set out above.

DIRECTORS' VIEW

Our Directors, including our independent non-executive Directors, consider that the non-exempt continuing connected transactions and the annual caps under the Hip Shing Framework Agreement are fair and reasonable, and that such transactions have been entered into and will be carried out in the ordinary and usual course of business of our Group, on normal commercial terms, and in the interest of our Group and our Shareholders as a whole.

SPONSOR'S VIEW

The Sponsor is of the view that the non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business, are on normal commercial terms that are fair and reasonable, and in the interests of our Group and our Shareholders as a whole. The Sponsor is also of the view that the annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board currently consists of six Directors, including three executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Dr. Lau Chi Wang (劉志宏)	71	Chairman and executive Director	6 October 1989	3 January 2018	Overseeing our Group's corporate governance, setting the corporate policy and supervising all matters at the Board level	Brother of Mr. CM Lau and Dr. CK Lau
Mr. Lau Chi Ming (劉志明)	68	Deputy Chairman and executive Director	25 June 1993	3 January 2018	Carrying out all the duties of the Chairman in his absence	Brother of Dr. CW Lau and Dr. CK Lau
Dr. Lau Chi Keung (劉志強)	63	Chief Executive Officer and executive Director	17 November 1994	3 January 2018	Overseeing our Group's operation, business development, human resources, finance and administration	Brother of Dr. CW Lau and Mr. CM Lau
<i>Independent Non-executive Directors</i>						
Mr. Pang Ka Hang (彭嘉恆)	62	Independent non-executive Director	17 September 2018	17 September 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and making independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	None
Mr. Wong Chun Nam (黃鎮南)	65	Independent non-executive Director	17 September 2018	17 September 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and making independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	None
Mr. Leung Bing Kwong Edward (梁秉綱)	59	Independent non-executive Director	17 September 2018	17 September 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and making independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Dr. Lau Chi Wang BBS. JP (劉志宏) (“Dr. CW Lau”), aged 71, is our Chairman and executive Director. Dr. CW Lau is responsible for overseeing our Group’s corporate governance, setting the corporate policy and supervising all matters at the Board level. Dr. CW Lau was appointed as our Director on 3 January 2018 and re-designated as our Chairman and executive Director on 12 February 2018. Dr. CW Lau is currently a director of Fong On Construction, Fong On Geotechnics, Po Shing Construction and James Lau & Associates. Dr. CW Lau was appointed as a Justice of the Peace in July 2002 by the Chief Executive of Hong Kong. In July 2009, Dr. Lau Chi Wang was awarded the Bronze Bauhinia Star for his contribution to Hong Kong.

Dr. CW Lau has approximately 50 years of experience in construction, design and research in the field of civil engineering. Dr. CW Lau worked as a trainee designer in Redpath Dorman Long Limited from 1968 to 1971 with his last position held as a site engineer. He then re-joined Redpath Dorman Long Limited as a design engineer from 1972 to 1973. Dr. CW Lau subsequently worked as a research assistant in King’s College London from 1973 to 1976. He later worked as a soils engineer in the Buildings Ordinance Office (currently known as the Buildings Department) from 1977 to 1980. He then joined Wong & Ouyang (HK) Limited as an assistant chief structural engineer from 1980 to 1989 with his last position held chief civil engineer. Dr. CW Lau was a director of Wong & Ouyang (Civil – Structural Engineering) Limited.

Dr. CW Lau was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Month and year of approval of membership grade
The Hong Kong Institution of Engineers	Fellow	May 1998
The Institution of Structural Engineers	Fellow	May 1998
The Hong Kong Institution of Engineers	Member	November 1977
The Institution of Civil Engineers	Member	July 1976
The Institution of Structural Engineers	Member	June 1972

Dr. CW Lau has been an authorized person, a registered structural engineer and a registered geotechnical engineer under the Buildings Ordinance since July 1983, December 1994 and April 2005 respectively. He has also been a chartered engineer of The Council of Engineering Institutions, a registered professional engineer (civil, structural and geotechnical) of Hong Kong Engineers Registration Board and a first class registered structural engineer approved by the National Administration Board of Architectural Registration since August 1972, May 1995 and March 2002, respectively. Dr. CW Lau was

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

granted the qualification as a barrister by The Honourable Society of Gray's Inn and Supreme Court of Hong Kong (currently known as High Court) in July 1992 and September 1993, respectively.

Dr. CW Lau obtained a Higher Diploma in Structural Engineering from Hong Kong Technical College (currently known as The Hong Kong Polytechnic University) in July 1968. He later obtained a Master of Science in the Faculty of Technology from The Victoria University of Manchester (currently known as the University of Manchester) in December 1972. He then obtained a Doctor of Philosophy in Geotechnical Engineering from University of London in August 1977. He obtained a Master of Business Administration from The Chinese University of Hong Kong in December 1982. He subsequently completed a Bachelor of Laws and Master of Science in Financial Economics from the University of London in August 1985 and December 1994, respectively. He later obtained a Master of Laws from the University of Hong Kong in December 1999.

Dr. CW Lau was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of company	Place of incorporation	Date of incorporation	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Fong On Construction & Engineering Company Limited (晃安建築工程有限公司) (“FOCE”)	Hong Kong	29 March 1989	Foundation, alteration and addition works and superstructure works	In progress	compulsory winding-up (Note 1)
Fong On Building Contractor Limited (晃安屋宇建設有限公司) (“FOBC”)	Hong Kong	18 September 1998	Alteration and addition works	3 May 2007	compulsory winding-up (Note 1)
Fong On Medical Company Limited (“FOMC”)	Hong Kong	8 July 1993	Sales of medical equipment	20 December 2006	voluntary winding-up under s240 of Predecessor Companies Ordinance (Note 1)
Mannix Consultancy Limited (萬力顧問有限公司)	Hong Kong	8 June 1990	Sales of software	20 October 2006	striking off (Note 2)
Enviro Systems (HK) Limited	Hong Kong	27 April 1993	Trading	16 February 2001	striking off (Note 2)
Fong On Landscaping Company Limited (晃安園藝工程有限公司)	Hong Kong	6 November 1990	Landscape construction	1 March 2002	deregistered (Note 3)
Shanon Construction Company Limited (湘安建築有限公司) (“Shanon Construction”)	Hong Kong	18 May 1998	Building contractor	1 March 2002	deregistered (Note 3)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Place of incorporation	Date of incorporation	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
Fong On Southeast Waterproofing Limited (晃安東南防水工程有限公司)	Hong Kong	19 November 1996	Waterproofing work	18 January 2002	deregistered (Note 3)
Sharpking International Limited (銳勁國際有限公司)	Hong Kong	21 July 1997	Trading	21 December 2001	deregistered (Note 3)
Metropole Limited (都城管樁有限公司)	Hong Kong	6 November 1990	Foundation work	11 May 2001	deregistered (Note 3)

Notes:

1. FOCE, FOBC and FOMC encountered financial difficulty and became insolvent. FOCE appointed a provisional liquidator and filed a winding-up petition with the Court in October 2003 and a winding up order was granted in December 2003. As at the Latest Practicable Date, the liquidation of FOCE was still in progress. FOBC and FOMC were wound up and dissolved by compulsory winding-up proceedings upon creditor's petition and by creditor's voluntary liquidation in May 2007 and December 2006, respectively.
2. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.
3. The companies were each deregistered under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Save for FOCE, FOBC and FOMC, Dr. CW Lau confirmed that the above companies were solvent immediately prior to their dissolutions. Dr. CW Lau further confirmed that there was no wrongful act on his part leading to the winding-up or dissolutions of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of their winding-up or dissolutions, and that his involvements in the above companies were part and parcel of his services as a director of the said companies and that no misconduct or misfeasance had been involved in the winding-up or dissolutions of the said companies.

Dr. CW Lau is the brother of Mr. CM Lau and Dr. CK Lau.

Mr. Lau Chi Ming (劉志明) (“**Mr. CM Lau**”), aged 68, is our Deputy Chairman and executive Director. Mr. CM Lau is responsible for carrying out all the duties of the Chairman in his absence. He was appointed as our Director on 3 January 2018 and re-designated as executive Director on 12 February 2018. Mr. CM Lau is also a member of the Remuneration Committee. Mr. CM Lau is currently a director of Fong On Construction, Fong On Geotechnics, Po Shing Construction and James Lau & Associates.

Mr. CM Lau has approximately 37 years of experience in engineering. Mr. CM Lau worked in American Engineering Corporation (Hong Kong) Limited from August 1981 to February 1985 with his last position held as a project engineer. He then worked as a senior HVAC engineer in Aoki Corporation from March 1985 to August 1987. He went on to work

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

as a building services engineer in The Hong Kong Tuberculosis, Chest and Heart Diseases Association and the Architectural Services Department from September 1987 to October 1989 and November 1989 to April 1993, respectively.

Mr. CM Lau has been a member of The Chartered Institution of Building Services, a member of The Hong Kong Institution of Engineers and a chartered engineer of The Chartered Institution of Building Services Engineers since July 1984, January 1986 and January 1988, respectively. Mr. CM Lau has been a registered professional engineer (BSS) of Hong Kong Engineers Registration Board since November 2011.

Mr. CM Lau obtained a Bachelor of Science in Mechanical Engineering from the University of Leeds in July 1979. He then obtained a Master of Science in Management Science from Imperial College of Science and Technology (currently known as The Imperial College London) in January 1981.

Mr. CM Lau was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of company	Place of incorporation	Date of incorporation	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
FOCE	Hong Kong	29 March 1989	Foundation, alteration and addition works and superstructure works	In progress	compulsory winding-up (Note 1)
FOBC	Hong Kong	18 September 1998	Alteration and addition works	3 May 2007	compulsory winding-up (Note 1)
FOMC	Hong Kong	8 July 1993	Sales of medical equipment	20 December 2006	voluntary winding-up under s240 of Predecessor Companies Ordinance (Note 1)
Shanon Construction	Hong Kong	18 May 1998	Building contractor	1 March 2002	deregistered (Note 2)

Notes:

- FOCE, FOBC and FOMC encountered financial difficulty and became insolvent. FOCE appointed a provisional liquidator and filed a winding-up petition with the Court in October 2003 and a winding up order was granted in December 2003. As at the Latest Practicable Date, the liquidation of FOCE was still in progress. FOBC and FOMC were wound up and dissolved by compulsory winding-up proceedings upon creditor's petition and by creditor's voluntary liquidation in May 2007 and December 2006, respectively.
- Shanon Construction was deregistered under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

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Save for FOCE, FOBC and FOMC, Mr. CM Lau confirmed that the above companies were solvent immediately prior to their dissolutions. Mr. CM Lau further confirmed that there was no wrongful act on his part leading to the winding-up or dissolutions of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of their winding-up or dissolutions, and that his involvements in the above companies were part and parcel of his services as a director of the said companies and that no misconduct or misfeasance had been involved in the winding-up or dissolutions of the said companies.

Mr. CM Lau is the brother of Dr. CW Lau and Dr. CK Lau.

Dr. Lau Chi Keung (劉志強) (“Dr. CK Lau”), aged 63, is our Chief Executive Officer and executive Director. Dr. CK Lau is responsible for overseeing our Group’s operation, business development, human resources, finance and administration. Dr. CK Lau was appointed as our Director on 3 January 2018 and re-designated as our Chief Executive Officer and executive Director on 12 February 2018. Dr. CK Lau is also a member of the Nomination Committee. He is currently a director of Fong On Construction, Fong On Geotechnics, Po Shing Construction and James Lau & Associates.

Dr. CK Lau has approximately 40 years of experience in engineering. Dr. CK Lau worked as a graduate engineer in Ho Chung, Wallace Evans & Company Limited in August 1978 with his last position held as an engineer in 1984. He was then employed by WS Atkins (Services) Limited as a group engineer with his last position held as a senior group engineer and head of the soil-structure interaction group from May 1988 to August 1994. Dr. CK Lau worked as an adjunct professor in City University of Hong Kong from June 2006 to June 2012 and The Hong Kong Polytechnic University from April 2002 to March 2005. He has re-joined The Hong Kong Polytechnic University as an adjunct professor since March 2016.

Dr. CK Lau was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Month and year of approval of membership grade
The Hong Kong Institute of Arbitrators	Fellow	May 2018
The Chartered Institute of Arbitrators	Member	January 2005
The Hong Kong University of Science and Technology	Honorary Fellow	November 2002
The Hong Kong Institution of Engineers	Fellow	June 1999
The Hong Kong Institution of Engineers	Member	August 1983
The Institution of Structural Engineers	Member	November 1982
The Institution of Civil Engineers	Member	December 1982

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Dr. CK Lau has been a registered professional engineer (civil, geotechnical and structural) of Hong Kong Engineers Registration Board since October 1997. He has also been a registered structural engineer, an authorized person, a registered geotechnical engineer and a registered inspector under the Buildings Ordinance since August 1997, April 1998, May 2005 and November 2012, respectively. He has also been a first class registered structural engineer approved by the National Administration Board of Architectural Registration since June 2000. Dr. CK Lau has also been an arbitrator and mediator of The Hong Kong Institution of Engineers, an accredited general mediator of Hong Kong Mediation Accreditation Association Limited and an accredited adjudicator of Hong Kong International Arbitration Centre since 2005, 2013 and 2015, respectively.

Dr. CK Lau obtained a Bachelor of Science in Civil and Structural Engineering from University College Cardiff (currently known as Cardiff University) in July 1978. He further obtained a Master of Philosophy in Soil Mechanics and Doctor of Philosophy in Soil Mechanics from the University of Cambridge in December 1985 and May 1989, respectively.

Dr. CK Lau was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of company	Place of incorporation	Date of incorporation	Nature of business immediately prior to dissolution	Date of dissolution	Means of dissolution
FOCE	Hong Kong	29 March 1989	Foundation, alteration and addition works and superstructure works	In progress	compulsory winding-up (<i>Note 1</i>)
FOBC	Hong Kong	18 September 1998	Alteration and addition works	3 May 2007	compulsory winding-up (<i>Note 1</i>)
FOMC	Hong Kong	8 July 1993	Sales of medical equipment	20 December 2006	voluntary winding-up under s240 of Predecessor Companies Ordinance (<i>Note 1</i>)
Mannix Consultancy Limited (萬力顧問有限公司)	Hong Kong	8 June 1990	Sales of software	20 October 2006	striking off (<i>Note 2</i>)
Shanon Construction	Hong Kong	18 May 1998	Building contractor	1 March 2002	deregistered (<i>Note 3</i>)
Double Helix Books Limited	Hong Kong	30 May 2003	Children's bookstore	23 March 2007	deregistered (<i>Note 3</i>)

Notes:

1. FOCE, FOBC and FOMC encountered financial difficulty and became insolvent. FOCE appointed a provisional liquidator and filed a winding-up petition with the Court in October 2003 and a winding up order was granted in December 2003. As at the Latest Practicable Date, the liquidation of FOCE was still in progress. FOBC and FOMC were wound up and dissolved by compulsory winding-up proceedings upon creditor's petition and by creditor's voluntary liquidation in May 2007 and December 2006, respectively.
2. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

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3. Shanon Construction and Double Helix Books Limited were deregistered under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Save for FOCE, FOBC and FOMC, Dr. CK Lau confirmed that the above companies were solvent immediately prior to their dissolutions. Dr. CK Lau further confirmed that there was no wrongful act on his part leading to the winding-up or dissolutions of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of their winding-up or dissolutions, and that his involvements in the above companies were part and parcel of his services as a director of the said companies and that no misconduct or misfeasance had been involved in the winding-up or dissolutions of the said companies.

Dr. CK Lau is the brother of Dr. CW Lau and Mr. CM Lau.

The winding-up of FOCE, FOBC and FOMC (the “Winding-up”)

Background

Prior to 2003, Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and their sister Ms. Lau Wai Ling Josephine had conducted construction contracting business through FOCE and FOBC, and medical equipment trading and provision of maintenance services through FOMC. FOCE, FOBC and FOMC (together the “**Winding-up Companies**”) encountered financial difficulty and subsequently became insolvent due to, among others, the economic downturn and the dim business outlook after the outbreak of Severe Acute Respiratory Syndrome (“**SARS**”) in early 2003, the delay or default in settlement of fees by their respective customers and the insolvency of their major insurer which was handling certain claims against them. As at their respective dates of the winding-up, FOCE, FOBC and FOMC recorded total liabilities of approximately HK\$98.0 million, HK\$0.7 million and HK\$1.6 million, respectively.

Among the Winding-up Companies, FOCE recorded significant amount of liabilities as at the date of its winding-up mainly due to its then scale of operation. Of its total liabilities of approximately HK\$98.0 million, approximately HK\$57.3 million and HK\$22.6 million were trade payables and retention payables, respectively, approximately HK\$7.8 million was related to claims and amounts due to employees and Government departments, and the remaining amount of approximately HK\$10.3 million mainly comprised bank borrowings and amount due to related parties. As at the same date, the total assets of FOCE mainly included (i) the debts due to FOCE of approximately HK\$63.6 million, including trade receivables of approximately HK\$40.0 million, retention receivables of approximately HK\$17.9 million and amount due from other debtors of approximately HK\$5.7 million; and (ii) cash at bank and cash on hand of approximately HK\$0.2 million.

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Immediately prior to the commencement of the winding-up, each of the Winding-up Companies was approximately owned as to 51% by Dr. CW Lau, 24% by Mr. CM Lau, 24% by Dr. CK Lau, and 1% by Ms. Lau Wai Ling Josephine; and Dr. CW Lau, Mr. CM Lau and Dr. CK Lau were the then directors of each of FOCE, FOBC and FOMC (the “**Then Directors**”).

The winding-up of FOMC and FOBC was completed in September 2006 and March 2007, and FOMC and FOBC was dissolved in December 2006 and May 2007, respectively. The winding-up of FOCE was in its final stage as at the Latest Practicable Date. The joint liquidators of FOCE will proceed to apply for leave of court to have, among others, FOCE be formally dissolved. Based on all available information, our Directors expect that the Winding-up of FOCE will be completed by the end of 2018.

The prosecutions against FOCE

From 2000 to 2003, FOCE was involved in a number of prosecutions relating to 15 incidents (the “**Prosecutions**”) in which FOCE was found to have breached the Construction Sites Safety Regulations, the Factories and Industrial Undertakings (Woodworking Machinery) Regulations, the Factories and Industrial Undertakings (Protection of Eyes) Regulations, the Noise Control Ordinance and/or the Air Pollution Control (Construction Dust) Regulation. In the Prosecutions, FOCE was involved and prosecuted as either proprietor in an industrial undertaking or contractor responsible for a construction site mainly due to the default of its subcontractors in carrying out of the required safety and pollution control measures, including taking adequate steps to prevent person from falling, ensure the wearing of safety helmets and use of protection tools, proper use of a hoist, and use of equipment with valid construction noise permit. As a consequence, FOCE was liable to penalties ranging from HK\$1,200 to HK\$100,000 per charge. All of the penalties had been fully settled and there was no on-going proceedings or prosecutions against FOCE and/or the Then Directors.

View of the Counsel

In respect of the Winding-up, according to Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong (the “**Counsel**”), (i) there was no wrongdoing on the part of the Then Directors leading to the Winding-up; (ii) there was no fraudulent or dishonest elements on the part of the Then Directors in the Winding-up; and (iii) the integrities of the Then Directors should not be adversely affected by the Winding-up, having considered that (i) SARS and the economic downturn were external factors at the relevant time; (ii) the Then Directors aimed to prevent preferential treatment to any particular creditors; (iii) the actions of the Then Directors to have the Winding-up Companies’ wound up where they could not continue profitably was consistent with the proscriptive and non-proscriptive duties owed by directors to the company and its creditors; and (iv) no application for disqualification order has been made by the liquidators of the Winding-up Companies (the “**Liquidators**”) under the Predecessor Companies Ordinance or Companies (Winding-up and Miscellaneous Provisions Ordinance, as the case may be).

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In addition, the Counsel is of the opinion that the Prosecutions do not have any material impact on the management competence of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, having considered that (i) the Prosecutions mainly concerned 15 incidents over a period of four years in which FOCE was the main contractor in the incidents, and thus was unavoidably be involved and prosecuted as either “proprietor in an industrial undertaking” or “contractor responsible for a construction site” for the default of its subcontractors; and (ii) the Building Authority had not brought any disciplinary proceedings against FOCE or the Then Directors, indicating that the number of incidents was acceptable given the operating scale of FOCE at the time.

Further, as advised by the Counsel, the limitation period under which proceedings could be initiated against the Then Directors by the Buildings Department or Building Authority in relation to the 15 incidents has been expired. In any event, the said incidents and the Prosecutions have no bearing on our Group which are separate legal entities from and not liable for the actions of FOCE, nor is there any possibility of future claims against our Group and/or our Directors in relation to the litigation claims involved by the Winding-up Companies.

View of the Sponsor

The Sponsor is of the view that the Winding-up and the Prosecutions should not adversely affect the suitability of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau to act as directors of a listed company under Rules 3.08 and 3.09 of the Listing Rules, having considered:

- (i) the Counsel’s opinion that (a) there was no wrongdoing on the part of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau leading to the Winding-up; (b) there was no fraudulent or dishonest elements in the Winding-up; and (c) the integrity and the management competence of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are not affected by the Winding-up and/or litigation cases of the Winding-up Companies;
- (ii) the factors which led to the Winding-up, which include the liquidation of the then insurer of the Winding-up Companies, the economic downturn and the outbreak of SARS and the delay or default in settlement of debts by the customers which eventually led to the liquidation of the Winding-up Companies were to a large extent out of the control and expectation of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. There was no reason to believe or speculate that such uncontrollable and unexpected circumstances arose from any element of fraud or dishonesty, or that concerns should be raised as to the integrity of our executive Directors;
- (iii) when the Winding-up Companies became insolvent, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau referred to professional advice, to allow and fully cooperate with the Liquidators to handle the affairs of the Winding-up Companies fairly and properly and to mitigate the damages being suffered by other stakeholders of the Winding-up Companies;

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- (iv) the fact that the creditors of the Winding-up Companies (including the former creditors and staff) continued their business/employment relationship with the Group after the Winding-up, and Dr. CW Lau was elected as one of the five members of the committee of inspection by the creditors of FOCE, which indirectly implies that the creditors do not view that there was any fraud, wrongful act or integrity issues giving rise to the Winding-up and each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau should not be an untrustworthy person;
- (v) the Liquidators have confirmed and certified that Dr. CW Lau, Mr. CM Lau and Dr. CK Lau have acted in good faith and taken reasonable steps to discharge their duties as directors, including, what was in the Liquidators' view a prudent business decision to have the Winding-up Companies be wound up under the circumstances. There were no integrity, dishonesty and incompetency issues which the Liquidators needed to bring to the attention to the Official Receiver to whom the Liquidators were statutorily required to report to, and there were no prosecution nor disqualification orders raised against each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau;
- (vi) the contribution of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau to the development and growth of our Group. Throughout the years, each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau has demonstrated his competence and abilities as a director of each operating member of our Group, which have successfully grown and expanded both operationally and financially under their leadership;
- (vii) the enhanced internal control system, in particular, on receivables and cash flow projection monitoring and control measures, and on subcontractors control and work safety and pollution control measures being implemented by our executive Directors on each of our Group companies; and
- (viii) the Prosecutions and the Winding-up took place more than 10 years ago, since then there have not been any material civil and criminal litigation against our Group or each of our executive Directors, and there have not been any compulsory winding-up cases on any of the companies which either Dr. CW Lau, Mr. CM Lau or Dr. CK Lau acts as a director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pang Ka Hang (彭嘉恆) (“**Mr. Pang**”), aged 62, was appointed as our independent non-executive Director on 17 September 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. Mr. Pang is responsible for making independent judgment and advising on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Pang was the partner of Pang & Ma, Chartered Accountants from 1982 to 1987. He then worked as president of Pang and Ma Limited from 1990 to 2017.

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Mr. Pang has been a chartered accountant of The Institute of Chartered Accountants of Ontario and a member of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since March 1980 and June 1982 respectively.

Mr. Pang obtained a Bachelor of Business Administration from Wilfrid Laurier University in October 1976.

Mr. Pang was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Eastern Ancient Science, The Holistic Study & Practice Association Limited (東方古代科學研究會有限公司)	Qigong research	29 July 2016 (Note 1)
Total Value Limited (總值有限公司)	Investment holding	10 July 2015 (Note 1)
Canada International Technology Limited (加拿大國際科技有限公司)	Trading	20 October 2006 (Note 2)
Faith Value Limited (信值有限公司)	Investment holding	1 September 2006 (Note 2)
Quali-Sales Limited (滿湛有限公司)	Trading	1 September 2006 (Note 2)

Notes:

- Eastern Ancient Science, The Holistic Study & Practice Association Limited (東方古代科學研究會有限公司) and Total Value Limited (總值有限公司) were deregistered under section 751 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; and (d) such company is not a party to any legal proceedings.
- Canada International Technology Limited (加拿大國際科技有限公司), Faith Value Limited (信值有限公司) and Quali-Sales Limited (滿湛有限公司) were deregistered by way of application under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Pang confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

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Mr. Wong Chun Nam (黃鎮南) (“**Mr. Duffy Wong**”), aged 65, was appointed as our independent non-executive Director of our Company on 17 September 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee on Nomination Committee. Mr. Duffy Wong is responsible for making independent judgment and advising on issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Duffy Wong was a partner of Ho, Wong & Wong Solicitors & Notaries from April 1986 to March 2017 and has been a consultant since March 2017. Mr. Duffy Wong has been appointed to serve as an independent non-executive Director of Water Oasis Group Limited (stock code: 1161), a company listed on the Main Board in December 2001.

Mr. Duffy Wong has been a solicitor in Hong Kong since May 1982 and an associate and a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom since September 1980 and October 1990, respectively. He has also been a fellow of the Hong Kong Institute of Chartered Secretaries since August 1994. In addition, he has been a certified tax adviser of The Taxation Institute of Hong Kong since May 2010 and an accredited general mediator of the Hong Kong International Arbitration Centre since March 2011.

Mr. Duffy Wong was a director of the following company incorporated in Hong Kong prior to its dissolution with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
South China Estate Agency Limited (南華地產代理有限公司)	Estate agency	15 January 2010 (<i>Note 1</i>)

Note:

1. South China Estate Agency Limited (南華地產代理有限公司) was deregistered by way of application under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Duffy Wong confirmed that (i) the above company was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company.

Mr. Leung Bing Kwong Edward (梁秉綱) (“**Mr. Leung**”), aged 59, was appointed as our independent non-executive Director of our Company on 17 September 2018. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Leung is responsible for making independent judgment and advising on the issue of strategy, performance, resources and standard of conduct of our Group.

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Mr. Leung worked as an assistant civil and geotechnical engineer in Brickell, Moss and Partners, Consulting Civil & Geotechnical Engineers from 1982 to 1986. He then worked as a project engineer in P. Y. Leung & Associates Limited and Yolles Partnership from 1986 to 1988 and 1988 to 1992, respectively. Mr. Leung rejoined P. Y. Leung & Associates Limited in 1992 and has been a director since then.

Mr. Leung was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Month and year of approval of membership grade
The Institution of Civil Engineers	Member	March 1994
The Institution of Structural Engineers	Member	January 1994
The Hong Kong Institution of Engineers	Member	September 1993

Mr. Leung has been a professional engineer of the Association of Professional Engineers of Ontario and a registered professional engineer (civil) of Hong Kong Engineers Registration Board since July 1990 and November 2017, respectively. Mr. Leung has also been a registered structural engineer and an authorized person under the Buildings Ordinance since January 2015 and October 2015, respectively.

Mr. Leung obtained a Bachelor of Science in Civil Engineering from Queen's University at Kingston in May 1982.

Mr. Leung was a director of the following companies incorporated in Hong Kong prior to their dissolutions with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Manforce Limited (萬策有限公司)	Investment holding	30 July 2004 (Note)

Note: Manforce Limited (萬策有限公司) was deregistered by way of application under section 291AA of the Predecessor Companies Ordinance. An application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Leung confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there was no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

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DIRECTORS' INTERESTS

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Wong Kai Wa (黃啟華)	54	Senior project manager	1 July 2004	1 July 2014	The overall management of our projects, operations and business development	None
Mr. Mok Kwai Hing (莫桂興)	53	Senior project manager	22 December 2003	1 January 2014	The overall management of our projects, operations and business development	None
Mr. Fong Pak Tong (方百榮)	50	Chief engineer	1 September 2003	1 September 2013	The overall management of our projects, design and business development	None

Mr. Wong Kai Wa (黃啟華) (“Mr. Wong”), aged 54, is the senior project manager of our Group. Mr. Wong first joined our Group as a project manager in July 2004 and was appointed as our senior project manager on 1 July 2014. He is primarily responsible for the overall management of our projects, operations and business development.

Prior to joining our Group, Mr. Wong worked as a foreman in Yau Lee Construction Company Limited from April 1986 to June 1994. Mr. Wong then worked as an assistant project manager in Ytong Hong Kong Limited from June 1994 to August 1997. He subsequently worked as a project manager in FOCE from August 1997 to October 2003.

Mr. Wong was awarded a Certificate in Building Studies by Vocational Training Council on July 1993. He then obtained a Higher Certificate in Building Studies from Hong Kong Technical Colleges (currently known as Hong Kong Institute of Vocational Education) in July 1996. He later obtained a Professional Diploma in Construction Project Management from The University of Hong Kong, School of Professional and Continuing Education in July 2001. He then obtained a Bachelor of Science in Work Based Learning Studies

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(Construction Project Management) from Middlesex University in January 2004. He further obtained a Diploma in Occupational Health and Safety from Li Ka Shing Institute of Professional and Continuing Education of The Open University of Hong Kong in January 2005.

Mr. Mok Kwai Hing (莫桂興) (“**Mr. Mok**”), aged 53, is the senior project manager of our Group. Mr. Mok first joined our Group as a project manager in December 2003 and was appointed as our senior project manager on 1 January 2014. He is primarily responsible for the overall management of our projects, operations and business development.

Prior to joining our Group, Mr. Mok worked as an engineering draftsman in David S.K. Au & Associates Limited from October 1990 to April 1994. He then worked as a quantity surveyor in Hong Kong Dredging Limited from May 1994 to April 1996. He subsequently worked as a project manager in FOCE from May 1996 to October 2003.

Mr. Mok was awarded a Certificate in Civil Engineering Studies by Vocational Training Council in July 1988. He further obtained a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990.

Mr. Fong Pak Tong (方百棠) (“**Mr. Fong**”), aged 50, is the chief engineer of our Group. Mr. Fong first joined our Group as a senior engineer in September 2003 and was appointed as our chief engineer on 1 September 2013. Mr. Fong is primarily responsible for the overall management of our projects, design and business development.

Prior to joining our Group, Mr. Fong worked as a graduate engineer in P&T Architects and Engineers Limited in August 1992 with his last position held as an assistant engineer in February 1996. He then worked as an engineer in FOCE from May 1996 to August 2003.

Mr. Fong has been a member of The Hong Kong Institution of Engineers since February 1997. Mr. Fong has also been a registered professional engineer (structural) of Hong Kong Engineers Registration Board since March 1998.

Mr. Fong obtained a Bachelor of Engineer in Civil Engineering from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in October 1992. He further obtained a Master of Science in Engineering (Civil and Structural Engineering) from The University of Hong Kong in December 1999.

To the best knowledge of our Directors, each of the members of our senior management had not held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

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COMPANY SECRETARY

Ms. Yim Sau Ping (嚴秀屏) (“**Ms. Yim**”), aged 35, was appointed as the company secretary of our Group on 12 February 2018.

Prior to joining our Group, Ms. Yim worked for Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for Tonking New Energy Group Holdings Limited (formerly known as JC Group Holdings Limited) (stock code: 8326), a company listed on the GEM as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She has been a director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services, since October 2015. Ms. Yim is currently the company secretary of five companies listed on the Stock Exchange.

Ms. Yim obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2007. She has been a member and a fellow member of the Hong Kong Institute of Certified Public Accountants since January 2010 and October 2017, respectively. She has accumulated more than 10 years of experience in accounting, auditing and financial management in international audit firm, financial institution and listed companies.

AUDIT COMMITTEE

Our Audit Committee was established by our Board on 17 September 2018 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and the risk management and internal control systems of our Group. The Audit Committee comprises three members, namely Mr. Pang Ka Hang, Mr. Wong Chun Nam and Mr. Leung Bing Kwong Edward. Mr. Pang Ka Hang is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

Our Remuneration Committee was established by our Board on 17 September 2018 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Remuneration Committee comprises four members, namely Mr. Wong Chun Nam, Mr. Pang Ka Hang, Mr. Leung Bing Kwong Edward and Mr. CM Lau. Mr. Wong Chun Nam is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, among other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group’s policy and structure for all remuneration of our Directors and senior management.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

NOMINATION COMMITTEE

Our Nomination Committee was established by our Board on 17 September 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Nomination Committee comprises four members, namely Mr. Leung Bing Kwong Edward, Mr. Pang Ka Hang, Mr. Wong Chun Nam and Dr. CK Lau. Mr. Leung Bing Kwong Edward is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are, among other things, to make recommendations to our Board on appointment of Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules after Listing.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Frontpage Capital to be the compliance adviser to advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rules 3A.23 and 3A.24 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 was approximately HK\$5.0 million, HK\$6.1 million, HK\$4.3 million and HK\$2.8 million, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above Directors and senior management of our Group for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 was approximately HK\$7.0 million, HK\$8.3 million, HK\$6.5 million and HK\$4.1 million, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 was approximately HK\$36,000, HK\$36,000, HK\$36,000 and HK\$18,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial shareholders, Directors and experts – 3. Directors' remuneration" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 was approximately HK\$9.1 million, HK\$11.5 million, HK\$6.1 million and HK\$3.8 million, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

The emoluments paid to our Group's five highest paid individuals (including Directors) decreased during the year ended 30 September 2017, mainly attributable to the decrease in discretionary bonuses. The discretionary bonuses were paid with reference to various factors, including our revenue and value of contracts awarded. For the year ended 30 September 2017, we decided lower discretionary bonuses as we had lower revenue and awarded contract sum as compared with the year ended 30 September 2016.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 9 in the Accountants' Report set out in Appendix I to this prospectus.

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our sole Shareholder passed on 17 September 2018. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of the Offer Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise:

<i>Authorised share capital</i>	<i>HK\$</i>
2,000,000,000 Shares	20,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>	
10,000 Shares in issue as at the date of this prospectus	100
599,990,000 Shares to be issued pursuant to the Capitalisation Issue	5,999,900
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u> Shares	<u>8,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 200,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank equally in all respects with all our Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 17 September 2018, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and

SHARE CAPITAL

issue a total of 599,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 17 September 2018 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,999,900 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (not including Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – Further information about our Company – Written resolutions of our sole Shareholder passed on 17 September 2018” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to issue and repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (iii) the time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name of Shareholder	Capacity/Nature of interest	Number of fully paid shares held/ interested as at 27 March 2018 <i>(Note 6)</i>	Percentage of shareholding as at 27 March 2018 <i>(Note 6)</i>	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Elite Bright <i>(Note 2)</i>	Beneficial owner	1	100%	600,000,000	75%
Dr. CW Lau <i>(Note 2)</i>	Interested in a controlled corporation	1	100%	600,000,000	75%
Ms. Ng Lai Mui Theresa <i>(Note 3)</i>	Interest of spouse	1	100%	600,000,000	75%
Mr. CM Lau <i>(Note 2)</i>	Interested in a controlled corporation	1	100%	600,000,000	75%
Ms. Ng Kooi Har <i>(Note 4)</i>	Interest of spouse	1	100%	600,000,000	75%
Dr. CK Lau <i>(Note 2)</i>	Interested in a controlled corporation	1	100%	600,000,000	75%
Ms. Kwong Shun Man Jessie <i>(Note 5)</i>	Interest of spouse	1	100%	600,000,000	75%

Notes:

1. All interests stated are long positions.
2. Elite Bright is 100% owned by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau in equal shares. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed to be, or taken to be, interested in all the Shares held by Elite Bright for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

3. Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of Shares in which Dr. CW Lau is interested for the purpose of the SFO.
4. Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of Shares in which Mr. CM Lau is interested for the purpose of the SFO.
5. Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of Shares in which Dr. CK Lau is interested for the purpose of the SFO.
6. The date of filing of the application proof of this prospectus and prior to completion of the Reorganisation.

Our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial information included in the Accountants' Report, which has been prepared in accordance with HKFRSs, the text of which is set out in Appendix I to this prospectus, and the unaudited pro forma combined financial information set out in Appendix II to this prospectus, in each case together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those risks set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a construction contractor in Hong Kong principally providing (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, and alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. Besides construction, we also provide construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services.

During the Track Record Period and up to the Latest Practicable Date, we completed over 100 construction projects with an aggregate contract sum of approximately HK\$971.0 million. As at the Latest Practicable Date, we have 34 construction projects on hand (including projects in progress and projects yet to commence), with a total awarded contract sum of approximately HK\$1,161.2 million. Our construction projects on hand are expected to be completed during the period from October 2018 to February 2020. Please refer to the section headed "Business – Overview" in this prospectus for an overview on our business.

Our Group has generated revenue of approximately HK\$390.4 million, HK\$427.0 million, HK\$359.3 million and HK\$189.2 million for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively. The fluctuation of our Group's revenue was generally in line with the fluctuation of the number of sizeable contracts undertaken during the Track Record Period. Our net profit was approximately HK\$24.0 million, HK\$20.4 million, HK\$24.0 million and HK\$1.1 million for the same period.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Our financial statements have been prepared in accordance with the HKFRSs. Throughout the Track Record Period, the entities which comprise our Group were under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau. Pursuant to the Reorganisation, which is explained in details under the section headed "History, Development and Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group. The financial information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period

FINANCIAL INFORMATION

includes the results of operations and cash flows of the companies now comprising our Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of financial position of our Group as at 30 September 2015, 2016 and 2017 and 31 March 2018 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those dates, taking into account the respective dates of incorporation. Our financial statements are presented in Hong Kong dollars, which is our functional and presentation currency.

Further details on the basis of presentation are set out in notes 1 and 2 of the Accountants' Report set out in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP

Our business, financial position and results of operations have been, or are expected to be significantly affected by a number of factors, including but not limited to those set forth in the section headed "Risk Factors" in this prospectus and those set forth below.

Availability of construction projects in Hong Kong

Our results of operations are affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in Government policies relating to the property markets in Hong Kong, the general conditions of the property markets in Hong Kong, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. Unfavourable changes in these factors may result in a significant decrease in the number of construction projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong and/or adverse governmental policies on the property markets in Hong Kong may lead to a significant decline in the number of construction projects in Hong Kong, thereby resulting in a decline in the number of projects which our Group may undertake. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of construction projects in Hong Kong may materially affect our business and therefore our results of operations and financial condition.

FINANCIAL INFORMATION

Cost control and management

Our cost of sales mainly includes (i) subcontracting charges; (ii) costs of construction materials; and (iii) staff costs. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the aggregate of subcontracting charges, costs of construction materials and staff costs represented approximately 97.8%, 97.7%, 95.6% and 95.4% of our cost of sales, respectively. Although we determine our project prices based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in rules, regulations and policies set out by the Government. Therefore, the failure to control and manage the cost and time involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

The following tables set out the sensitivity analysis on the impact of hypothetical fluctuations in (i) subcontracting charges; (ii) costs of construction materials; and (iii) staff costs under our cost of sales on our profit before tax during the Track Record Period, assuming all other variables remained constant.

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 3% and 15% increase or decrease in the subcontracting charges for the years as indicated, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of workers in the construction industry from 2012 to 2016 and are therefore considered reasonable for the purpose of this sensitivity analysis:

Sensitivity analysis of subcontracting charges Percentage (decrease)/increase	Increase/(decrease) of our profit before tax			
	For the year ended 30 September			For the six months ended 31 March
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(15)%	45,147	45,442	37,864	21,942
(3)%	9,029	9,088	7,573	4,388
3%	(9,029)	(9,088)	(7,573)	(4,388)
15%	(45,147)	(45,442)	(37,864)	(21,942)

FINANCIAL INFORMATION

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 12% and 1% increase or decrease in the costs of construction materials for the years as indicated, which correspond to the approximate CAGR in the price of steel reinforcements and Portland cement (which is a major ingredient of concrete), respectively, from 2012 to 2016 as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

Sensitivity analysis of costs of construction materials Percentage (decrease)/increase	Increase/(decrease) of our profit before tax			
	For the year ended 30 September			For the six months ended 31 March
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(12)%	3,858	7,004	3,827	1,011
(1)%	321	584	319	84
1%	(321)	(584)	(319)	(84)
12%	(3,858)	(7,004)	(3,827)	(1,011)

To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 3% and 15% increase or decrease in staff costs under our cost of sales for the years as indicated, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of workers in the construction industry from 2012 to 2016 and are therefore considered reasonable for the purpose of this sensitivity analysis:

Sensitivity analysis of staff costs Percentage (decrease)/increase	Increase/(decrease) of our profit before tax			
	For the year ended 30 September			For the six months ended 31 March
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(15)%	2,193	3,072	3,002	722
(3)%	439	614	600	144
3%	(439)	(614)	(600)	(144)
15%	(2,193)	(3,072)	(3,002)	(722)

FINANCIAL INFORMATION

Collectability and timing of collection of our trade receivables and retention receivables

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, which is in general up to 10% of each interim payment, and up to a maximum limit of 5% to 10% of the contract sum, is usually withheld by our customers as retention money and normally portion of which will be released to us after the practical completion of our contract works and the remaining of which will be released to us after the defect liability period according to the contract terms. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention money or any future retention money will be released by our customers to us on a timely basis and in full. As at 31 March 2018, our trade receivables amounted to approximately HK\$76.1 million and our retention receivables amounted to approximately HK\$45.0 million. Any late payment, whether arising from payment practice of our customers or delay in completion of our projects, may adversely affect our future liquidity position.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's financial statements have been prepared in accordance with HKFRSs. The significant accounting policies adopted by our Group are set forth in details in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve subjective judgments, estimates, and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data and our experience and factors that we believe to be reasonable under the circumstances.

The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's combined financial statements.

Revenue recognition and other income

Revenue comprises the fair value of the consideration received or receivable. Our revenue from construction contracts is recognised based on the stage of completion at the end of each reporting period in accordance with the policy as described under the paragraph headed "Construction contracts" below. The percentage of completion of a contract is established with reference to work performed to date as a percentage of total contract value.

Interest income is recognised based on the effective interest method. Service and agency commission income is recognised in the accounting period in which the services are rendered. Rental income is recognised based on the straight-line basis over the lease terms.

Further details on our Group's policy for revenue recognition and other income are set out in note 2 of the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Construction contracts

Construction contract revenue comprises the agreed contract amount and appropriate amounts for the variation orders, claims and incentive payments. Construction contract costs comprise direct materials, subcontracting charges, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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. 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.

Further details on our Group's policy for construction contracts are set out in note 2 of the Accountants' Report set out in Appendix I to this prospectus.

Allowance for trade and other receivables

Our Group recognises impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our Group has made provision of approximately HK\$83,000, HK\$214,000, HK\$571,000 and HK\$58,000 for impairment of trade receivables, respectively.

Other significant accounting policies, estimates and judgements

Please refer to note 2 of the Accountants' Report in Appendix I to this prospectus for other significant accounting policies and estimates applied in preparation of our combined financial statements.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

Combined statements of profit or loss and other comprehensive income

The following combined statements of profit or loss and other comprehensive income during the Track Record Period are derived from, and should be read in conjunction with our combined financial information, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus.

	For the year ended 30 September			For the six months ended 31 March	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
				(unaudited)	
Revenue	390,423	426,951	359,311	181,819	189,233
Cost of sales	<u>(355,513)</u>	<u>(390,797)</u>	<u>(318,351)</u>	<u>(163,172)</u>	<u>(167,182)</u>
Gross profit	34,910	36,154	40,960	18,647	22,051
Other income, gains and losses	4,013	208	606	186	29
Administrative and other operating expenses	<u>(10,135)</u>	<u>(11,957)</u>	<u>(12,653)</u>	<u>(6,947)</u>	<u>(18,578)</u>
Operating profit	28,788	24,405	28,913	11,886	3,502
Finance costs	<u>(9)</u>	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>(1)</u>
Profit before income tax	28,779	24,399	28,910	11,884	3,501
Income tax expense	<u>(4,736)</u>	<u>(3,975)</u>	<u>(4,901)</u>	<u>(1,945)</u>	<u>(2,378)</u>
Profit and total comprehensive income for the year/period	<u>24,043</u>	<u>20,424</u>	<u>24,009</u>	<u>9,939</u>	<u>1,123</u>
Profit and total comprehensive income attributable to:					
Owners of our Company	23,807	20,350	23,677	9,893	930
Non-controlling interests	<u>236</u>	<u>74</u>	<u>332</u>	<u>46</u>	<u>193</u>
	<u>24,043</u>	<u>20,424</u>	<u>24,009</u>	<u>9,939</u>	<u>1,123</u>

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KEY COMPONENTS IN OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

The principal activities of our Group are the provision of (i) foundation and site formation works, which mainly include piling works, ELS works, pile cap construction and ground investigation works; (ii) general building works and associated services, which mainly include development of superstructures, and alteration and addition works; and (iii) other construction works, which mainly include slope works and demolition works. Besides construction, we also provide construction related consultancy services including engineering consulting on construction designs and works supervision, and construction contract administration services. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, we recorded revenue amounted to approximately HK\$390.4 million, HK\$427.0 million, HK\$359.3 million and HK\$189.2 million, respectively. Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of the change in the amount of revenue during the Track Record Period.

The following table sets forth a breakdown of our revenue by types of works and services during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000 (unaudited)	% of total revenue	Revenue HK\$'000	% of total revenue
Construction										
Foundation and site formation works	148,981	38.2	252,447	59.1	131,784	36.7	81,605	44.9	63,902	33.8
General building works and associated services	186,494	47.8	137,488	32.2	172,538	48.0	74,389	40.9	79,664	42.1
Other construction works	<u>44,622</u>	<u>11.4</u>	<u>25,313</u>	<u>5.9</u>	<u>40,647</u>	<u>11.3</u>	<u>20,185</u>	<u>11.1</u>	<u>40,631</u>	<u>21.4</u>
	380,097	97.4	415,248	97.2	344,969	96.0	176,179	96.9	184,197	97.3
Consultancy	<u>10,326</u>	<u>2.6</u>	<u>11,703</u>	<u>2.8</u>	<u>14,342</u>	<u>4.0</u>	<u>5,640</u>	<u>3.1</u>	<u>5,036</u>	<u>2.7</u>
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

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The following table sets forth a breakdown of our revenue by sector during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Private sector	284,201	72.8	265,292	62.1	187,329	52.1	109,236	60.1	157,460	83.2
Public sector	106,222	27.2	161,659	37.9	171,982	47.9	72,583	39.9	31,773	16.8
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

We classify our projects as public sector ones if the ultimate employer of a project are various departments of the Government or statutory bodies, regardless of whether we act as main contractor or subcontractor. On the other hand, customers from our private sector projects mainly include property developers or project owners in Hong Kong. For further information, please refer to the section headed “Business – Our customers” in this prospectus.

The following table sets forth a breakdown of our revenue by reference to our role in our projects during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Main contractor	281,574	72.2	257,515	60.3	182,777	50.9	106,298	58.5	158,401	83.7
Subcontractor	98,523	25.2	157,733	36.9	162,192	45.1	69,881	38.4	25,796	13.6
Consultant	10,326	2.6	11,703	2.8	14,342	4.0	5,640	3.1	5,036	2.7
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

The revenue contribution from the public sector projects increased for the years ended 30 September 2016 and 2017 as compared with that for the year ended 30 September 2015, mainly because construction of organic waste treatment facilities at Lantau Island (Project P00424) with a total contract sum of over HK\$300 million was in full swing in 2016 and 2017. By the same token, as we acted as the subcontractor in the Project P00424 and undertook a substantial amount of work during the years ended 30 September 2016 and 2017, the revenue contribution from projects in which we acted as subcontractor also increased for the same periods. The revenue contribution from private sector projects decreased for the year ended 30 September 2017 as compared with that for the year ended 30 September 2016, mainly because we undertook and completed a substantial amount of construction works for a number of sizeable private sector projects during 2016, and therefore we derived a lower amount of revenue due to our actual works progress under the relevant contracts for 2017. For the six months ended 31 March 2018, as Project P00424 was in its final stage pending the preparation and the issue of the final account by the customer, the revenue contribution from public sector projects and projects in which we

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acted as subcontractor decreased as compared with that for the six months ended 31 March 2017. For details, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

The following table sets forth a breakdown of our revenue by type of contracts undertaken during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Construction										
Design and build <i>(Note)</i>	275,889	70.7	287,807	67.4	286,030	79.6	148,276	81.6	125,700	66.4
Build-only	104,208	26.7	127,441	29.8	58,939	16.4	27,903	15.3	58,497	30.9
	380,097	97.4	415,248	97.2	344,969	96.0	176,179	96.9	184,197	97.3
Consultancy	10,326	2.6	11,703	2.8	14,342	4.0	5,640	3.1	5,036	2.7
	<u>390,423</u>	<u>100.0</u>	<u>426,951</u>	<u>100.0</u>	<u>359,311</u>	<u>100.0</u>	<u>181,819</u>	<u>100.0</u>	<u>189,233</u>	<u>100.0</u>

Note: Include the design and build construction contracts and the slope works projects in which we have provided design input in the foundation elements for the installation of the rockfall/debris flow protection barriers.

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Revenue by projects

During the Track Record Period and up to the Latest Practicable Date, we had completed over 100 construction projects with an aggregate contract sums of approximately HK\$971.0 million. As at the Latest Practicable Date, we have 34 construction projects on hand (including projects in progress and projects yet to commence) with a total awarded contract sums of approximately HK\$1,161.2 million. Our construction projects on hand are expected to be completed during the period from October 2018 to February 2020. The following table sets out the list of projects carried out by us with a total contract sum of each over HK\$10 million during the Track Record Period:

Project code	Particulars of project	Project period (Note 1)	Total contract sum (Note 2) HK\$'000	Revenue recognised before the Track Record Period HK\$'000	Revenue recognised			For the six months 31 March 2018 HK\$'000	Accumulated revenue recognised during the Track Record Period HK\$'000	Percentage of completion as at 31 March 2018 (Note 3) %
					For the year ended 30 September					
					2015 HK\$'000	2016 HK\$'000	2017 HK\$'000			
P00424	Construction of organic waste treatment facilities in Lantau Island	January 2015 to October 2018	359,700	–	63,336	141,001	140,863	–	345,200	96.0
P00420	Factory redevelopment in Tai Po (Note 4)	December 2014 to April 2016	122,765	–	91,327	27,978	2,341	–	121,646	99.1
D1256	Composite development in Tuen Mun	September 2014 to January 2016	82,817	–	56,229	26,588	–	–	82,817	100.0
P00404	Alteration and addition works for a factory in Tai Po (Note 6)	July 2013 to November 2015	89,058	21,667	47,225	20,166	–	–	67,391	100.0
D1507	House development in Lantau Island	May 2016 to April 2017	65,345	–	–	27,100	36,500	1,745	65,345	100.0
1506	Redevelopment of a school in Kowloon	May 2016 to August 2019	290,985	–	–	–	49,470	69,764	119,234	41.0
D1048	Residential redevelopment in Chung Hom Kok (Note 4)	May 2013 to October 2016	61,053	12,101	17,346	30,403	997	–	48,746	99.7
D1340	Residential development in Tuen Mun (Notes 4 and 5)	March 2015 to June 2017	42,868	–	9,535	29,147	–	–	38,682	88.2
D1381	Residential development at Headland Road	July 2015 to January 2017	42,201	–	1,608	26,606	12,935	1,052	42,201	100.0
D1433	Residential development in Kowloon Tong	September 2015 to September 2016	38,480	–	–	34,003	4,477	–	38,480	100.0
E0047	Landslip prevention and mitigation works in New Territories (Note 4)	July 2014 to May 2016	35,065	–	28,706	2,747	700	–	32,153	91.7
P00445	House redevelopment at Perkins Road (Note 4)	January 2016 to June 2017	34,760	–	–	11,399	16,104	–	27,503	86.4
D1070	Development of hotel at Pei Ho Street (Note 4)	January 2014 to July 2015	21,489	3,389	17,056	615	–	–	17,671	98.0
D1466	Hotel development at Wing Hing Street	December 2015 to April 2017	12,499	–	–	4,640	7,859	–	12,499	100.0
D1606	Redevelopment in Kowloon	December 2016 to January 2018	15,800	–	–	–	11,565	4,235	15,800	100.0
P00488	Composite development in Cheung Sha Wan	June 2017 to December 2018	166,980	–	–	–	9,883	50,113	59,996	35.9
D1181	Redevelopment in Kowloon	March 2014 to February 2015	27,760	18,750	9,010	–	–	–	9,010	100.0

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Project code	Particulars of project	Project period (Note 1)	Total contract sum (Note 2) HK\$'000	Revenue recognised before the Track Record Period HK\$'000	Revenue recognised			For the six months 31 March 2018 HK\$'000	Accumulated revenue recognised during the Track Record Period HK\$'000	Percentage of completion as at 31 March 2018 (Note 3) %
					For the year ended 30 September					
					2015	2016	2017			
					HK\$'000	HK\$'000	HK\$'000			
P00351	Redevelopment in Wan Chai	November 2011 to January 2016	101,707	97,056	3,725	926	–	–	4,651	100.0
D1632	Development for a hostel in Tai Po (Note 4)	May 2017 to February 2018	13,980	–	–	–	4,599	8,363	12,962	92.7
D1671	Landslip prevention and mitigation works in various locations in Hong Kong	April 2017 to May 2019	39,880	–	–	–	1,562	23,229	24,791	62.2
D1331	House development in Tuen Mun	March 2018 to March 2019	35,124	–	–	–	–	1,959	1,959	5.6
D1629	Improvement works in Shatin	December 2017 to December 2018	12,080	–	–	–	–	1,017	1,017	8.4
					345,103	383,319	299,855	161,477	1,189,754	
Other construction projects with total contract sum of each less than HK\$10 million					34,994	31,929	45,114	22,720	134,757	
Revenue from construction projects					380,097	415,248	344,969	184,197	1,324,511	
Revenue from consultancy services					10,326	11,703	14,342	5,036	41,407	
Total revenue					390,423	426,951	359,311	189,233	1,365,918	

Notes:

- The project period covers the duration of our works with reference to the commencement date and the practical completion date of the relevant project as set out in the payment certificates or practical completion certificate issued by our customer or their authorised persons, or with reference to the completion record issued by us.
- The total contract sum takes into account the additional works or variation orders (if any) certified by the architect or consultant appointed by our customers.
- The percentage of completion as at 31 March 2018 is calculated as accumulated revenue recognised up to 31 March 2018 divided by the total contract sum.
- As some project works (including some variation works instructed by our customers) were carried out after the practical completion dates, and in some cases the value of such works were to be approved in the final accounts after the final measurement, therefore, the percentage of completion of certain completed projects may be below 100% and our Group may continue to recognise some revenue subsequent to the practical completion dates.
- The contract works and variation works undertaken by us during the year ended 30 September 2017 were pending certification by our customer in the final account which was under preparation as at the Latest Practicable Date. Our Directors consider that the prolonged certification of the work done of this project was primarily due to the variation works performed by our Group.

To the best knowledge of our Directors, the residential development in Tuen Mun involved at least two construction contracts: (i) the contract for site formation works which our Group was the main contractor; and (ii) the contract for building construction works which another contractor was the main contractor taking over the construction site after completion of our works. However, it was found that a work item in relation to excavation from the final site formation level to competent ground level at which the raft footing to found on was missing in both contracts, and our Group and

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the main contractor of the building construction works have both undertaken part of the missing work item as additional works. As at the Latest Practicable Date, our Group was still in discussion with the customer in respect of the additional works performed for the missing item and our Directors expect that the customer will deal with such value in the final account to be agreed between our Group and the customer. As at the Latest Practicable Date, to the best knowledge of our Directors, the building construction works were in the final stage. Upon practical completion of the building construction works, the customer will prepare and finalise the respective final accounts.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, the aggregate amounts due from the customer (including trade receivables, retention receivables and gross amounts due from customers for contract work) amounted to approximately HK\$1.1 million, HK\$6.3 million, HK\$3.1 million and HK\$3.1 million, respectively. To their best knowledge, our Directors expect the subsequent billing and settlement date of the outstanding amount due from the relevant customer to be at or around March 2019.

6. As certain fire services, electrical installation, MVAC, water and pumping works were carried out and measured and approved by our customer towards the final stage of the project upon regulatory inspection, and there were certain variation works instructed by our customer towards the final stage, the project which was practically completed in November 2015 contributed revenue of approximately HK\$20.2 million to our Group for the year ended 30 September 2016.

Cost of sales

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

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cost of sales										
Subcontracting charges	300,978	84.7	302,945	77.5	252,425	79.3	130,613	80.0	146,282	87.5
Costs of construction materials	32,146	9.0	58,370	14.9	31,894	10.0	16,565	10.2	8,422	5.0
Staff costs, including directors' emoluments	14,620	4.1	20,478	5.3	20,014	6.3	11,102	6.8	4,816	2.9
Others	7,769	2.2	9,004	2.3	14,018	4.4	4,892	3.0	7,662	4.6
	<u>355,513</u>	<u>100.0</u>	<u>390,797</u>	<u>100.0</u>	<u>318,351</u>	<u>100.0</u>	<u>163,172</u>	<u>100.0</u>	<u>167,182</u>	<u>100.0</u>

Subcontracting charges

Subcontracting charges represent the fees incurred for our subcontractors which perform the construction work subcontracted to them. Subcontracting charges amounted to approximately HK\$301.0 million, HK\$302.9 million, HK\$252.4 million and HK\$146.3 million, representing approximately 84.7%, 77.5%, 79.3% and 87.5% of our total cost of sales for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively. During the Track Record Period, subcontracting charges were our largest cost component as we mainly focused on the overall management of our construction projects and we delegated works to and coordinated with our subcontractors. The fluctuation of the subcontracting charges was generally in line with the fluctuation of our revenue during the Track Record Period.

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Costs of construction materials

Costs of construction materials mainly represent cost of sales for the purchase of construction materials, such as concrete, steel reinforcement and H-piles, and rockfall/debris flow protection barriers, that are directly attributed to our construction works. Costs of construction materials amounted to approximately HK\$32.1 million, HK\$58.4 million, HK\$31.9 million and HK\$8.4 million, representing approximately 9.0%, 14.9%, 10.0% and 5.0% of our total cost of sales for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively. Our costs of construction materials consumed may vary from project to project, as (i) the consumption of raw materials vary according to different types of works performed, for example, the use of steel and concrete are usually higher during piling works and construction of superstructures, and rockfall/debris flow protection barriers are often used in our slope works projects; and (ii) the costs of construction materials may be agreed to be borne by us or subcontractors depending on our contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project. Costs agreed to be borne by our subcontractors are also generally reflected in the subcontracting charges. Our costs of construction materials for the year ended 30 September 2016 was higher as compared with that for the years ended 30 September 2015 and 2017, mainly because we have consumed a large amount of concrete and steel for the foundation and superstructure construction works of the organic waste treatment facilities at Lantau Island (Project P00424) during the year.

Given that the construction materials are usually delivered by our suppliers to our project sites directly for immediate consumption, we generally do not stock up any excess inventory of construction materials at our project sites. Our project managers are responsible for the overall scheduling of orders and deliveries of the materials, so as to match materials deliveries with the project's requirements. As such, our Group did not have any significant amount of uninstalled materials as at the end of each reporting period. Therefore, the financial impact of the uninstalled materials in the application of HKFRS 15 is considered to be insignificant.

Staff costs

Staff costs represent the labour cost directly incurred for the provision of our works. Staff costs amounted to approximately HK\$14.6 million, HK\$20.5 million and HK\$20.0 million, representing approximately 4.1%, 5.3% and 6.3% of our total cost of sales for the years ended 30 September 2015, 2016 and 2017, respectively. Our staff costs as a percentage to total cost of sales increased mainly due to the increasing wages of construction workers. For the six months ended 31 March 2018, our staff costs amounted to approximately HK\$4.8 million. Our staff cost as a percentage to total cost of sales decreased to approximately 2.9% during the six months ended 31 March 2018 mainly due to the increase in the use of subcontractors in performing the works for our projects during the period.

Others

Other costs mainly consist of testing and inspection fees, insurance coverage, machinery rental, security costs and transportation expenses. The amounts in aggregate were approximately HK\$7.8 million, HK\$9.0 million, HK\$14.0 million and HK\$7.7 million for

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the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, representing approximately 2.2%, 2.3%, 4.4% and 4.6% of our total cost of sales, respectively. The increase in other costs for the year ended 30 September 2017 was mainly due to the higher insurance costs incurred for the contractor's all risks insurance and employees' compensation insurance for the school redevelopment at Kowloon (Project 1506) and the composite development at Cheung Sha Wan (Project P00488) with respective contract sum of approximately HK\$291.0 million and HK\$167.0 million which commenced during the year.

Gross profit and gross profit margin

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of projects that were undertaken by our Group; (ii) the progress of such projects during the relevant financial year; and (iii) our cost control and management. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year. During the Track Record Period, we did not undertake any loss-making projects.

The following table sets forth a breakdown of our gross profit and gross profit margin by types of works and services during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
(unaudited)										
Construction										
Foundation and site formation works	8,486	5.7	13,038	5.2	13,282	10.2	6,548	8.0	9,760	15.3
General building works and associated services	13,725	7.4	11,456	8.3	9,873	5.7	5,046	6.8	8,028	10.1
Other construction works	<u>7,388</u>	16.6	<u>5,910</u>	23.3	<u>9,348</u>	23.0	<u>4,344</u>	21.5	<u>2,432</u>	6.0
	29,599	7.8	30,404	7.3	32,503	9.4	15,938	9.0	20,220	11.0
Consultancy	<u>5,311</u>	51.4	<u>5,750</u>	49.1	<u>8,457</u>	59.0	<u>2,709</u>	48.0	<u>1,831</u>	36.4
	<u>34,910</u>	8.9	<u>36,154</u>	8.5	<u>40,960</u>	11.4	<u>18,647</u>	10.3	<u>22,051</u>	11.7

During the Track Record Period, the gross profit margin of our consultancy services is higher than that of our construction services. Our Directors consider that it was mainly due to the business nature of our consultancy projects which we primarily rely on our engineering staff in the provision of our consultancy services and therefore, we did not incur substantial amount of costs on external supplies or services for the consultancy operations.

As for our construction services, for the years ended 30 September 2015, 2016 and 2017, the gross profit margin of our other construction works was higher than that of our foundation and site formation works and general building works and associated services,

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mainly attributable to the high profitability achieved in our slope works projects. Our Directors consider that such higher profitability was mainly due to our good and long standing relationship with the overseas supplier to secure reliable and adequate supply of the relevant rockfall/debris flow barrier materials at favourable prices, and our effective design in the foundation elements for the installation works. In addition, as foundation and site formation projects and general building works projects are usually of a higher contract sum, we are generally willing to bid at a relatively lower margin than that for projects with lower contract sum as the projects with higher contract sum could provide us a larger absolute amount of profits which may enhance our financial position and act as buffer against unexpected fluctuation in contract costs. The gross profit margin of our other construction works decreased for the six months ended 31 March 2018, mainly because (i) we have undertaken a sizeable public sector soil nail installation project (Project D1671) at relatively low profit margin with a view to bolster our job reference and enhance future business prospects in landslip preventive works; and (ii) we had lesser work done for projects involving design and installation of rockfall/debris flow barriers which was of relatively high gross profit margin during the six months ended 31 March 2018. By the same token, the gross profit margin of our public sector projects and the projects in which we acted as subcontractor also decreased for the six months ended 31 March 2018.

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

	For the year ended 30 September						For the six months ended 31 March			
	2015	2016		2017		2017	2018			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	21,510	7.6	21,663	8.2	23,362	12.5	11,686	10.7	20,810	13.2
Public sector	13,400	12.6	14,491	9.0	17,598	10.2	6,961	9.6	1,241	3.9
	<u>34,910</u>	8.9	<u>36,154</u>	8.5	<u>40,960</u>	11.4	<u>18,647</u>	10.3	<u>22,051</u>	11.7

The following table sets forth a breakdown of our gross profit and gross profit margin by reference to our role in our projects during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015	2016		2017		2017	2018			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Main contractor	17,244	6.1	15,614	6.1	15,133	8.3	8,376	7.9	19,409	12.3
Subcontractor	12,355	12.5	14,790	9.4	17,370	10.7	7,562	10.8	811	3.1
Consultant	5,311	51.4	5,750	49.1	8,457	59.0	2,709	48.0	1,831	36.4
	<u>34,910</u>	8.9	<u>36,154</u>	8.5	<u>40,960</u>	11.4	<u>18,647</u>	10.3	<u>22,051</u>	11.7

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The following table sets forth a breakdown of our gross profit and gross profit margin by type of contracts undertaken during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
Construction										
Design and build <i>(Note)</i>	22,796	8.3	19,707	6.8	27,704	9.7	14,052	9.5	17,486	13.9
Build-only	<u>6,803</u>	6.5	<u>10,697</u>	8.4	<u>4,799</u>	8.1	<u>1,886</u>	6.8	<u>2,734</u>	4.7
	29,599	7.8	30,404	7.3	32,503	9.4	15,938	9.0	20,220	11.0
Consultancy	<u>5,311</u>	51.4	<u>5,750</u>	49.1	<u>8,457</u>	59.0	<u>2,709</u>	48.0	<u>1,831</u>	36.4
	<u>34,910</u>	8.9	<u>36,154</u>	8.5	<u>40,960</u>	11.4	<u>18,647</u>	10.3	<u>22,051</u>	11.7

Note: Include the design and build construction contracts and the slope works projects in which we have provided design input in the foundation elements for the installation of the rockfall/debris flow protection barriers.

For the detailed discussion on our gross profit margins, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

Other income, gains and losses

During the Track Record Period, our other income, gains and losses mainly included agency commission from Geobrugg for promotion and selling of their rockfall, debris and mudslides and slope stabilization system products, and the insurance compensation from insurers on the employees’ compensation or personal injury claims from our employees.

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Administrative and other operating expenses

The following table sets forth our administrative and other operating expenses during the Track Record Period:

	For the year ended 30 September						For the six months ended 31 March			
	2015		2016		2017		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs, including directors' emoluments	6,625	65.4	8,086	67.6	6,904	54.6	4,103	59.1	4,852	26.1
Operating lease payments	992	9.8	1,087	9.1	1,197	9.5	606	8.7	521	2.8
Depreciation of property, plant and equipment	285	2.8	405	3.4	450	3.6	212	3.0	199	1.1
Transportation expenses	396	3.9	383	3.2	424	3.3	199	2.9	216	1.2
Insurance expenses	233	2.3	380	3.2	377	3.0	314	4.5	334	1.8
Provision for impairment of trade receivables	83	0.8	214	1.8	571	4.5	540	7.8	58	0.3
Listing expenses	–	–	–	–	1,375	10.8	–	–	10,916	58.7
Other expenses	1,521	15.0	1,402	11.7	1,355	10.7	973	14.0	1,482	8.0
Total	10,135	100.0	11,957	100.0	12,653	100.0	6,947	100.0	18,578	100.0

Finance costs

The following table sets forth the components of our finance costs during the Track Record Period:

	For the year ended 30 September			For the six months ended 31 March	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on finance lease					
		<u>9</u>	<u>6</u>	<u>3</u>	<u>2</u>
				<u>2</u>	<u>1</u>

Our finance costs during the Track Record Period represented interest expenses on finance leases of our motor vehicles, details of which are disclosed in the paragraph headed “Indebtedness” in this section.

Income tax expense

All of our Group's revenue during the Track Record Period was derived in Hong Kong. Therefore, our Group was subject to profits tax in Hong Kong. Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 were approximately 16.5%, 16.3%, 17.0% and 67.9%, respectively.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 31 March 2018 compared with six months ended 31 March 2017

Revenue

Our revenue increased by approximately HK\$7.4 million, or 4.1%, from approximately HK\$181.8 million for the six months ended 31 March 2017 to approximately HK\$189.2 million for the six months ended 31 March 2018. Such increase was mainly due to the increase in works undertaken in our sizeable projects during the six months ended 31 March 2018, including the school redevelopment in Kowloon (Project 1506) and the composite development in Cheung Sha Wan (Project P00488). The changes in revenue derived from our projects with contract sum of each larger than HK\$10 million were set out in the following table:

	For the six months ended 31 March			
	2017		2018	
	Total number of projects	Revenue recognised <i>HK\$'000</i> (unaudited)	Total number of projects	Revenue recognised <i>HK\$'000</i>
Revenue recognised				
HK\$30 million or above	2	87,683	2	119,877
HK\$10 million to below				
HK\$30 million	3	48,825	1	23,229
HK\$5 million to below				
HK\$10 million	1	7,093	1	8,363
HK\$1 million to below				
HK\$5 million	3	10,410	6	11,354
Below HK\$1 million	2	1,697	–	–
	<u>11</u>	<u>155,708</u>	<u>10</u>	<u>162,823</u>

The revenue contributed by our other construction works increased whereas the revenue contributed by foundation and site formation works increased for the six months ended 31 March 2018 as compared with that of 2017, mainly because (i) we have undertaken a sizeable soil nail installation project (Project D1671) which has contributed revenue of approximately HK\$23.2 million to our Group during 2018; and (ii) we have completed substantial amount of foundation and site formation works for the house development in Lantau Island (Project D1507) in 2017.

Further, for the six months ended 31 March 2018, as (i) we have undertaken a large amount of works for Project 1506 and Project P00488; and (ii) the construction of organic waste treatment facilities at Lantau Island (Project P00424) was in the final stage pending the issue of the final account by the customer, the revenue contribution from private sector projects and projects in which we acted as main contractor increased, while the revenue

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contribution from public sector projects and projects in which we acted as subcontractor decreased as compared with that for the six months ended 31 March 2017. For details of the revenue contribution from our projects, please also refer to the paragraph headed “Key components in our combined statements of profit or loss and other comprehensive income – Revenue” in this section.

Cost of sales

Our cost of sales increased by approximately HK\$4.0 million, or 2.5%, from approximately HK\$163.2 million for the six months ended 31 March 2017 to approximately HK\$167.2 million for the six months ended 31 March 2018. Such increase was generally in line with the increase in revenue during the same periods, as the revenue recognised from our construction works increased and hence the corresponding cost incurred for subcontracting services increased.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$3.5 million, or 18.8%, from approximately HK\$18.6 million for the six months ended 31 March 2017 to approximately HK\$22.1 million for the six months ended 31 March 2018. For the same periods, our gross profit margin increased from approximately 10.3% to approximately 11.7%, primarily contributed by the increase in gross profit margin for our foundation and site formation works and general building works, which was partially offset by the decrease in gross profit margin of our other construction works and consultancy services.

For the six months ended 31 March 2018, driven by the increase in revenue contribution from the Project 1506 which are of higher profitability due to the complex geological conditions of the project site and the specific requirements of the employer, the gross profit margin of our foundation and site formation works increased from approximately 8.0% for the six months ended 31 March 2017 to approximately 15.3% for the six months ended 31 March 2018, and the gross profit margin of our general building works and associated services increased from approximately 6.8% for the six months ended 31 March 2017 to approximately 10.1% for the six months ended 31 March 2018. The gross profit margin of our other construction works decreased from approximately 21.5% for the six months ended 31 March 2017 to approximately 6.0% for the six months ended 31 March 2018, mainly because (i) we have undertaken a sizeable public sector soil nail installation project (Project D1671) at relatively low profit margin; and (ii) we had lesser work done for projects involving design and installation of rockfall/debris flow barriers which were of relatively high gross profit margin. For the same periods, the gross profit margin of our consultancy services decreased from approximately 48.0% to approximately 36.4%, primarily due to the cease of provision of engineering consultancy services to Maxwell Contract Services since January 2018. For details of our transactions with Maxwell Contract Services, please also refer to the paragraph headed “Related party transactions and balances” in this section.

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Other income, gains and losses

Our other income and gains decreased by approximately HK\$157,000, or 84.4%, from approximately HK\$186,000 for the six months ended 31 March 2017 to approximately HK\$29,000 for the six months ended 31 March 2018, primarily due to the gain on disposal of office equipment recognised in 2017.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$11.7 million, or 169.6%, from approximately HK\$6.9 million for the six months ended 31 March 2017 to approximately HK\$18.6 million for the six months ended 31 March 2018, mainly due to listing expenses of approximately HK\$10.9 million was incurred in 2018.

Listing expenses

During the six months ended 31 March 2018, we recognised listing expenses of approximately HK\$10.9 million, as compared with nil for the six months ended 31 March 2017. For details, please refer to the paragraph headed “Listing expenses” in this section.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by approximately HK\$8.4 million, or 70.6%, from approximately HK\$11.9 million for the six months ended 31 March 2017 to approximately HK\$3.5 million for the six months ended 31 March 2018. Our profit before income tax as a percentage of revenue was approximately 6.5% and 1.9% for the six months ended 31 March 2017 and 2018, respectively. Such decrease was mainly due to the impact of the listing expenses as explained above.

Income tax expense

Our income tax expense increased by approximately HK\$0.5 million, or 26.3%, from approximately HK\$1.9 million for the six months ended 31 March 2017 to approximately HK\$2.4 million for the six months ended 31 March 2018, primarily attributable to an increase in our taxable income resulted from the increase in our gross profit as explained above. Our effective income tax rate, being tax charged for period divided by profits before income tax, was approximately 16.4% and 67.9% for the six months ended 31 March 2017 and 2018, respectively. Our effective tax rate was higher for the six months ended 31 March 2018 mainly due to the increase in the non-deductible listing expenses incurred.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$8.8 million, or 88.9%, from approximately HK\$9.9 million for the six months ended 31 March 2017 to approximately HK\$1.1 million for the six months ended 31 March 2018.

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Year ended 30 September 2017 compared with year ended 30 September 2016

Revenue

Our revenue decreased by approximately HK\$67.7 million, or 15.9%, from approximately HK\$427.0 million for the year ended 30 September 2016 to approximately HK\$359.3 million for the year ended 30 September 2017. Such decrease was mainly due to the followings:

- (i) we undertook and completed substantial amount of construction works in six sizeable projects with contract sum of each over HK\$35 million during 2016, and we derived a lower amount of revenue due to our actual works progress under the relevant contracts for the year ended 30 September 2017 as compared with that for the year ended 30 September 2016; and

Project code	Our role and type of works	Revenue recognised for the year ended 30 September	
		2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
P00420	Main contractor, general building works and associated services	27,978	2,341
D1256	Main contractor, foundation and site formation works	26,588	–
P00404	Main contractor, general building works	20,166	–
D1048	Main contractor, foundation and site formation works	30,403	997
D1340	Main contractor, foundation and site formation works	29,147	–
D1433	Main contractor, foundation and site formation works	34,003	4,477
		<u>168,285</u>	<u>7,815</u>

- (ii) during the year ended 30 September 2017, a number of our sizeable projects, including the school redevelopment at Kowloon (Project 1506) and the composite development at Cheung Sha Wan (Project P00488), were at early or initial startup stage resulting in lesser actual work done. As such, the revenue recognised from these new projects could only partially offset the decrease in revenue derived from projects brought forward from the year ended 30 September 2016 as discussed in (i) above.

Further details of the aforementioned projects are set out in the section headed “Business – Our construction projects” in this prospectus.

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Cost of sales

Our cost of sales decreased by approximately HK\$72.4 million, or 18.5%, from approximately HK\$390.8 million for the year ended 30 September 2016 to approximately HK\$318.4 million for the year ended 30 September 2017. Such decrease was generally in line with the decrease in revenue for the same periods, as the revenue recognised from our construction projects decreased and hence the corresponding value of works subcontracted and construction materials costs decreased. Such decrease was partially offset by the increase in insurance costs for the newly commenced school redevelopment at Kowloon (Project 1506) and composite development at Cheung Sha Wan (Project P00488).

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$4.8 million, or 13.3%, from approximately HK\$36.2 million for the year ended 30 September 2016 to approximately HK\$41.0 million for the year ended 30 September 2017. For the same periods, our gross profit margin increased from approximately 8.5% to approximately 11.4%, primarily attributable to the increase in gross profit margin for our foundation and site formation works and our consultancy services.

The gross profit margin of our foundation and site formation works increased from approximately 5.2% for the year ended 30 September 2016 to approximately 10.2% for the year ended 30 September 2017, mainly contributed by the relatively higher profitability we achieved for the school redevelopment at Kowloon (Project 1506). Our Directors consider that the Project 1506 to be of high complexity given the geological conditions of the project site and the specific requirements of the employer. By leveraging on (i) our Group's extensive experience in both foundation works, general building works and slope works, which are complementary to building construction on steep inclined landform in the Project 1506; and (ii) our design capability in providing the optimised design and the customised proposal on building methods and construction materials which allowed us to submit a competitive tender, we were awarded the project and was able to achieve a higher gross profit margin at approximately 20.0% for the project.

For the same period, the gross profit margin of our consultancy services increased from approximately 49.1% to approximately 59.0%. Such increase was mainly because we were engaged to provide design services in several building modification and property redevelopment consultancy projects which were relatively complex with higher profit margin in 2017.

Other income, gains and losses

Our other income and gains increased by approximately HK\$398,000, or 191.3%, from approximately HK\$208,000 for the year ended 30 September 2016 to approximately HK\$606,000 for the year ended 30 September 2017, primarily due to higher insurance compensation on employee compensation claims.

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Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$0.7 million, or 5.8%, from approximately HK\$12.0 million for the year ended 30 September 2016 to approximately HK\$12.7 million for the year ended 30 September 2017, mainly due to listing expenses of approximately HK\$1.4 million was incurred in 2017.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by approximately HK\$4.5 million, or 18.4%, from approximately HK\$24.4 million for the year ended 30 September 2016 to approximately HK\$28.9 million for the year ended 30 September 2017. Our profit before income tax as a percentage of revenue was approximately 5.7% and 8.0% for the years ended 30 September 2016 and 2017, respectively. Such increase was mainly due to the increase in gross profit margin as explained above.

Income tax expense

Our income tax expense increased by approximately HK\$0.9 million, or 22.5%, from approximately HK\$4.0 million for the year ended 30 September 2016 to approximately HK\$4.9 million for the year ended 30 September 2017, primarily attributable to an increase in our taxable income resulted from the increase in our gross profit margin as explained above. Our effective income tax rate, being tax charged for the year divided by profits before income tax, remained relatively stable at 16.3% and 17.0% for the years ended 30 September 2016 and 2017, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$3.6 million, or 17.6%, from approximately HK\$20.4 million for the year ended 30 September 2016 to approximately 24.0 million for the year ended 30 September 2017.

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Year ended 30 September 2016 compared with year ended 30 September 2015

Revenue

Our revenue increased by approximately HK\$36.6 million, or approximately 9.4%, from approximately HK\$390.4 million for the year ended 30 September 2015 to approximately HK\$427.0 million for the year ended 30 September 2016. Such increase was mainly due to the increase in works undertaken in our sizeable projects in 2016. In particular, the foundation works and the general building works for the construction of organic waste treatment facilities at Lantau Island (Project P00424) were in full swing during the year and have contributed revenue of approximately HK\$141.0 million to our Group in the year ended 30 September 2016 (2015: HK\$63.3 million) according to the actual works progress certified by our customers. The changes in revenue derived from our projects each with contract sum of larger than HK\$10 million were set out in the following table:

	For the year ended 30 September 2015		2016	
	Total number of projects	Revenue recognised <i>HK\$'000</i>	Total number of projects	Revenue recognised <i>HK\$'000</i>
Revenue recognised				
HK\$30 million or above	4	258,116	3	205,407
HK\$10 million to below				
HK\$30 million	3	63,108	7	168,984
HK\$5 million to below HK\$10 million	2	18,545	–	–
HK\$1 million to below HK\$5 million	2	5,333	2	7,387
Below HK\$1 million	–	–	2	1,541
	<u>11</u>	<u>345,102</u>	<u>14</u>	<u>383,319</u>
Total	11	345,102	14	383,319

The revenue contributed by our foundation and site formation works increased whereas the revenue contributed by our general building works and associated services decreased for the year ended 30 September 2016 as compared with that of 2015, mainly because (i) we have undertaken substantial amount of works in our sizeable foundation and site formation projects in 2016 as compared to 2015, including the completion of approximately or over 50% of contract value in four foundation and site formation projects (Projects D1048, D1340, D1381 and D1433) with contract sum of each over HK\$35 million in 2016; and (ii) two sizeable general building works projects (Projects P00420 and P00404) were approaching the completion stage with relatively lower value of work done by the end of 2015 or early 2016. Further details of the aforementioned projects are set out in the section headed “Business – Our construction projects” in this prospectus.

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Cost of sales

Our cost of sales increased by approximately HK\$35.3 million, or 9.9%, from approximately HK\$355.5 million for the year ended 30 September 2015 to approximately HK\$390.8 million for the year ended 30 September 2016. Such increase was in line with the increase in revenue during the same periods, as the revenue recognised from our construction works increased and hence the corresponding cost incurred for subcontracting services, construction materials and direct labour increased.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$1.3 million, or 3.7%, from approximately HK\$34.9 million for the year ended 30 September 2015 to approximately HK\$36.2 million for the year ended 30 September 2016. Such increase was mainly attributable to the increase in revenue from our construction works as explained above. Our gross profit margin remained relatively stable at approximately 8.9% and 8.5% for the years ended 30 September 2015 and 2016, respectively.

Other income, gains and losses

Other income and other gains decreased by approximately HK\$3.8 million, or 95.0%, from approximately HK\$4.0 million for the year ended 30 September 2015 to approximately HK\$208,000 for the year ended 30 September 2016, primarily due to an agency commission from Geobrug of approximately HK\$3.9 million was recognised from the referral sales of their rockfall, debris and mudslides and slope stabilisation system products for the year ended 30 September 2015.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$1.9 million, or 18.8%, from approximately HK\$10.1 million for the year ended 30 September 2015 to approximately HK\$12.0 million for the year ended 30 September 2016, primarily due to higher staff costs and directors' emoluments.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by approximately HK\$4.4 million, or 15.3%, from approximately HK\$28.8 million for the year ended 30 September 2015 to approximately HK\$24.4 million for the year ended 30 September 2016. Our profit before income tax as a percentage of revenue was approximately 7.4% and 5.7% for the years ended 30 September 2015 and 2016, respectively, mainly due to lower other income and higher administrative and other operating expenses as explained above.

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Income tax expense

Our income tax expense decreased by approximately HK\$0.7 million, or 14.9%, from approximately HK\$4.7 million for the year ended 30 September 2015 to approximately HK\$4.0 million for the year ended 30 September 2016, primarily attributable to the decrease in our profit before income tax as explained above. Our effective income tax rate, being tax charged for the year divided by profits before income tax, remained stable at 16.5% and 16.3% for the years ended 30 September 2015 and 2016, respectively.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately HK\$3.6 million, or 15.0%, from approximately HK\$24.0 million for the year ended 30 September 2015 to approximately HK\$20.4 million for the year ended 30 September 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash is to fund our operations. During the Track Record Period and up to the Latest Practicable Date, our Group's operations were generally financed through cash generated from operating activities. Upon completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital for future business development from cash generated from our operations and the proceeds from the Share Offer. As at 30 September 2015, 2016 and 2017 and 31 March 2018, we had cash and bank balances of approximately HK\$29.8 million, HK\$94.4 million, HK\$101.2 million and HK\$74.1 million, respectively.

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Cash Flows

The following table summarises our cash flows for the periods indicated:

	For the year ended			For the six months	
	30 September			ended 31 March	
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash generated from/(used in) operating activities	14,185	63,791	8,020	(8,761)	(26,112)
Net cash (used in)/generated from investing activities	(2,125)	(6,796)	2,370	(1,315)	(933)
Net cash generated from/(used in) financing activities	<u>1,413</u>	<u>7,586</u>	<u>(3,514)</u>	<u>(32)</u>	<u>(132)</u>
Net increase/(decrease) in cash and cash equivalents	13,473	64,581	6,876	(10,108)	(27,177)
Cash and cash equivalents at the beginning of year/period	<u>16,318</u>	<u>29,791</u>	<u>94,372</u>	<u>94,372</u>	<u>101,248</u>
Cash and cash equivalents at the end of year/period	29,791	94,372	101,248	84,264	74,071

Net cash generated from/(used in) operating activities

Our Group's cash inflow from operating activities is principally generated from receipt of payments from our customers in relation to our carrying out of foundation and site formation works, general building works and associated services, other construction works, and provision of construction related consultancy services. Our cash outflow from operating activities is principally due to the payments to suppliers for purchase of materials, subcontracting charges, staff costs, administrative and other operating expenses.

Net cash generated from operating activities reflects our profit before income tax deducted by interests and income tax paid during the period and adjusted for non-cash items such as depreciation of property, plant and equipment, and the effects of changes in working capital items.

For the years ended 30 September 2015, 2016 and 2017, cash generated from operating activities was approximately HK\$14.2 million, HK\$63.8 million and HK\$8.0 million, respectively. Such fluctuation was mainly due to the deposit of approximately HK\$41.2 million received from our customer in 2016 for the school redevelopment at Kowloon

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(Project 1506) which would be gradually deducted from us as a partial settlement amounted to approximately 15% of the value of work done in each payment certificate over the project period. The receipt of the aforementioned deposit has resulted in an increase in operating cash inflow for 2016 and a decrease in operating cash inflow for 2017. In addition, our working capital changes also fluctuated during the Track Record Period due to the timing of (i) our progress billings for the project progress; (ii) settlement made by our customers; and (iii) billings of and settlement to our suppliers and subcontractors, which can vary from project to project and from period to period. For the six months ended 31 March 2018, we recorded net cash used in operating activities amounted to approximately HK\$26.1 million, mainly due to the increase in trade receivables and the increase in amounts due from customers for contract works arising from substantial value of construction works completed near the period ended 31 March 2018. Details of our cash flows from operating activities for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 are set out as follows:

For the six months ended 31 March 2018, we had net cash used in operating activities amounted to approximately HK\$26.1 million, which was a combined result of operating profit before working capital changes of approximately HK\$ 3.8 million, net decrease in working capital changes of approximately HK\$23.4 million, income tax paid of approximately HK\$6.5 million and dividend received of approximately HK\$9,000. The net decrease in working capital changes primarily reflected (i) an increase in trade and other receivables of approximately HK\$44.8 million; (ii) an increase in amounts due from customers for contract work of approximately HK\$8.1 million; partially offset by (iii) an increase in trade and other payables of approximately HK\$16.1 million; and (iv) an increase in amounts due to customers for contract work of approximately HK\$13.5 million.

For the year ended 30 September 2017, we had net cash generated from operating activities amounted to approximately HK\$8.0 million, which was a combined result of operating profit before working capital changes of approximately HK\$29.8 million, net decrease in working capital changes of approximately HK\$19.3 million, income tax paid of approximately HK\$2.5 million and dividend received of approximately HK\$9,000. The net decrease in working capital changes primarily reflected (i) a decrease in trade and other payables of approximately HK\$26.8 million; (ii) an increase in trade and other receivables of approximately HK\$6.1 million; partially offset by (iii) an increase in amounts due to customers for contract work of approximately HK\$9.2 million; (iv) a decrease in amounts due from customers for contract work of approximately HK\$4.5 million.

For the year ended 30 September 2016, we had net cash generated from operating activities amounted to approximately HK\$63.8 million, which was a combined result of operating profit before working capital changes of approximately HK\$25.0 million, net increase in working capital changes of approximately HK\$41.8 million, income tax paid of approximately HK\$3.0 million and dividend received of approximately HK\$9,000. The net increase in working capital changes primarily reflected (i) an increase in trade and other payables of approximately HK\$32.6 million; (ii) a decrease in amounts due from customers for contract work of approximately HK\$8.2 million; and (iii) a decrease in trade and other receivables of approximately HK\$1.5 million.

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For the year ended 30 September 2015, we had net cash generated from operating activities amounted to approximately HK\$14.2 million, which was a combined result of operating profit before working capital changes of approximately HK\$29.1 million, net decrease in working capital changes of approximately HK\$15.0 million and dividend received of approximately HK\$10,000. The net decrease in working capital changes primarily reflected (i) an increase in trade and other receivables of approximately HK\$63.0 million; (ii) an increase in amounts due from customers for contract work of approximately HK\$21.6 million; partially offset by (iii) an increase in trade and other payables of approximately HK\$68.3 million; and (iv) an increase in amounts due to customers for contract work of approximately HK\$1.3 million.

For details and explanations of fluctuation of the aforementioned combined statements of financial position items, please refer to the paragraph headed “Discussion of certain combined statements of financial position items” in this section.

Net cash used in/generated from investing activities

Our investing activities principally consisted of payment for the purchases of property and equipment, and advance to and repayment from our Directors.

For the six months ended 31 March 2018, we had net cash used in investing activities amounted to approximately HK\$0.9 million, primarily attributable to (i) payment for purchases of our property and equipment of approximately HK\$679,000; and (ii) an increase in advance to our Directors of approximately HK\$264,000.

For the year ended 30 September 2017, we had net cash generated from investing activities amounted to approximately HK\$2.4 million, primarily attributable to (i) repayment from our Directors of approximately HK\$2.7 million; and partially offset by (ii) payment for purchases of our property and equipment of approximately HK\$374,000.

For the year ended 30 September 2016, we had net cash used in investing activities amounted to approximately HK\$6.8 million, primarily attributable to (i) an increase in advance to our Directors of approximately HK\$6.6 million; and (ii) payment for purchases of our property and equipment of approximately HK\$184,000.

For the year ended 30 September 2015, we had net cash used in investing activities amounted to approximately HK\$2.1 million, primarily attributable to (i) an increase in advance to our Directors of approximately HK\$1.3 million; and (ii) payment for purchases of our property and equipment of approximately HK\$866,000.

Net cash generated from/used in financing activities

During the Track Record Period, our cash inflow from financing activities was mainly from the proceeds from the issue of the shares of Po Shing Construction, and the proceeds from the acquisition of the shares of Fong On Construction by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau from Po Shing Construction, while our cash used in financing activities was principally for the repayment of and interest paid on finance leases, payment of dividends and repayment to our Director.

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For the six months ended 31 March 2018, our net cash used in financing activities amounted to approximately HK\$132,000, primarily attributable to (i) acquisition of non-controlling interests of approximately HK\$100,000; and (ii) repayment of finance leases of approximately HK\$31,000.

For the year ended 30 September 2017, our net cash used in financing activities amounted to approximately HK\$3.5 million, primarily attributable to dividends paid of approximately HK\$3.5 million.

For the year ended 30 September 2016, our net cash generated from financing activities amounted to approximately HK\$7.6 million, primarily attributable to the proceeds of approximately HK\$7.8 million from the acquisition of the shares of Fong On Construction by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau from Po Shing Construction, partially offset by dividends paid of approximately HK\$150,000.

For the year ended 30 September 2015, our net cash generated from financing activities amounted to approximately HK\$1.4 million. This was primarily attributable to (i) the proceeds of approximately HK\$2.1 million from the issue of the shares of Po Shing Construction to its then shareholders; partially offset by (ii) repayment to our Director of approximately HK\$503,000; (iii) dividends paid of approximately HK\$120,000; and (iv) repayment of finance leases of approximately HK\$55,000.

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Net Current Assets

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As at 30 September			As at 31	As at 31
	2015	2016	2017	March	July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Trade and other receivables	76,365	74,647	80,132	124,945	116,654
Amounts due from customers for contract work	35,335	27,177	22,717	30,799	34,597
Financial assets at fair value through profit or loss	259	288	341	365	340
Amounts due from related parties	1,261	8,578	5,848	6,112	6,218
Cash and cash equivalents	<u>29,791</u>	<u>94,372</u>	<u>101,248</u>	<u>74,071</u>	<u>73,033</u>
Total current assets	<u>143,011</u>	<u>205,062</u>	<u>210,286</u>	<u>236,292</u>	<u>230,842</u>
Current liabilities					
Trade and other payables	86,515	119,151	92,314	108,381	98,785
Amounts due to customers for contract work	3,513	3,015	12,171	25,655	20,772
Finance lease liabilities	58	61	37	2,636	2,353
Amount due to a related party	1	1	1	1	–
Dividends payable	150	450	–	–	–
Income tax payable	<u>6,239</u>	<u>7,523</u>	<u>9,641</u>	<u>5,553</u>	<u>6,176</u>
Total current liabilities	<u>96,476</u>	<u>130,201</u>	<u>114,164</u>	<u>142,226</u>	<u>128,086</u>
Net current assets	<u>46,535</u>	<u>74,861</u>	<u>96,122</u>	<u>94,066</u>	<u>102,756</u>

As of 30 September 2015, 2016 and 2017 and 31 March 2018, we recorded net current assets of approximately HK\$46.5 million, HK\$74.9 million, HK\$96.1 million and HK\$94.1 million, respectively. The increase in our net current assets was generally in line with the profit generated over the Track Record Period which enhanced our net current assets base.

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As at 31 July 2018, being the latest practicable date for ascertaining our net current assets position, we recorded net current assets of approximately HK\$102.8 million which was HK\$8.7 million higher than the net current assets as at 31 March 2018.

DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Property and equipment

During the Track Record Period, our property and equipment mainly represented furniture and fixtures, office equipment, leasehold improvements, motor vehicles and machineries. As at 30 September 2015, 2016 and 2017 and 31 March 2018, the aggregate net book values of our property and equipment amounted to approximately HK\$1.1 million, HK\$0.9 million, HK\$0.9 million and HK\$4.0 million, respectively. For details of our purchases and disposals of property and equipment during the Track Record Period, please refer to note 13 to the Accountants' Report in Appendix I to this prospectus.

Trade and other receivables

Our trade and other receivables comprised of trade receivables, retention receivables, and other receivables, deposits and prepayments. The following table sets forth the details of our trade and other receivables as at the dates indicated:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	40,627	25,755	40,500	76,065
Retention receivables	25,304	38,401	37,167	44,952
Other receivables, deposits and prepayments	<u>10,434</u>	<u>10,491</u>	<u>2,465</u>	<u>3,928</u>
	<u><u>76,365</u></u>	<u><u>74,647</u></u>	<u><u>80,132</u></u>	<u><u>124,945</u></u>

Trade receivables

Our trade receivables mainly represented amounts receivable from our customers in relation to our provision of construction works and consultancy services. As our business is project-based, the balance of our trade receivables are affected by the timing of certifying payment application by our customers, our progress billings made, and the settlement made by different customers, which can vary from project to project and from period to period.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, our trade receivables amounted to approximately HK\$40.6 million, HK\$25.8 million, HK\$40.5 million and HK\$76.1 million, respectively. As we had higher value of work undertaken and certified by our customers towards the financial year end of 2015 and 2017 as compared with that of 2016, including approximately HK\$8.8 million for alteration and addition works for a

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factory in Tai Po (Project P00404) and approximately HK\$8.4 million for the residential redevelopment of Chung Hom Kok (Project D1048) in August and September 2015, and approximately HK\$13.1 million for the design and foundation works for the school redevelopment at Kowloon (Project 1506) in September 2017, we recorded higher balances of trade receivables as at the respective year end accordingly. As at 31 March 2018, our trade receivables increased further to approximately HK\$76.1 million, primarily from the trade receivables for Project 1506 amounted to approximately HK\$46.1 million. As Project 1506 involved large scale construction works for the school redevelopment and the progress payments were of relatively large sum, our Directors consider that it would generally take longer time for the school to arrange for progress payments.

Aging analysis of trade receivables

The following table sets forth the aging analysis of our trade receivables based on payment certificate date or invoice date as at the end of the periods indicated:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	38,857	21,726	27,639	16,407
31-60 days	954	191	4,111	55,244
61-90 days	30	80	4,181	2,956
Over 90 days	786	3,758	4,569	1,458
	<u>40,627</u>	<u>25,755</u>	<u>40,500</u>	<u>76,065</u>

Our trade receivables due 31 to 60 days, 61 to 90 days and over 90 days generally increased as at 30 September 2017 when compared with 2015 and 2016, primarily because we had a number of relatively sizeable construction and consultancy projects at or approaching completion stage in late 2016 and early 2017. Our Directors consider that it would generally take longer time for negotiation and preparation of the final accounts and it is also not unusual for customers to delay payments to their contractors or subcontractors or consultants as there is a period for final measurement when the projects come close to the completion stage. As at 31 March 2018, our trade receivables aged 31 to 60 days increased mainly due to the increase in trade receivables for Project 1506 as explained above.

We have adopted and implemented credit control measures to manage credit risk. Before acceptance of a construction or consultancy project, we would first assess the credit worthiness and reputation of that customer. We regularly monitor the aging of our trade receivables and all overdue balances are followed up on a regular basis. In determining the recoverability of our trade receivables, our Group assesses any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which require the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicating that the balances may not be collectible. For the years

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ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our Group has made approximately HK\$83,000, HK\$214,000, HK\$571,000 and HK\$58,000 provision for impairment of trade receivables, respectively.

The following table sets forth the aging analysis of our trade receivables that were past due but not impaired:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	659	146	3,873	49,925
31-60 days	30	176	4,225	2,956
61-90 days	207	92	321	–
Over 90 days	<u>579</u>	<u>3,616</u>	<u>4,197</u>	<u>1,458</u>
	<u>1,475</u>	<u>4,030</u>	<u>12,616</u>	<u>54,339</u>

As at 30 September 2015, 2016 and 2017 and 31 March 2018, included in our trade receivables that were past due but not impaired were amounts due from Maxwell Contract Services of nil, nil, approximately HK\$2.3 million and nil for the provision of engineering consultancy services. Save for the trade receivables from Maxwell Contract Services, as at 30 September 2015, 2016 and 2017 and 31 March 2018, our trade receivables that were past due but not impaired related to a number of independent customers. Our Directors believe that no provision for impairment was necessary as there have not been any significant change in credit quality and the balances are still considered fully recoverable.

Trade receivables turnover days

The following table sets out the turnover days of trade receivables for the year indicated:

	For the year ended 30 September			For the
				six months
	2015	2016	2017	ended 31
				March
				2018
Trade receivables turnover days	20.9 days	28.5 days	33.7 days	56.1 days

Note: Trade receivables turnover days are calculated based on the average trade receivables divided by the revenue for the relevant year/period multiplied by number of days in the relevant year/period (365 days, 366 days, 365 days and 182 days for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively). Average trade receivables are calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

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We generally grant credit terms of 14 to 45 days to our customers from the date of invoices on progress payments of contract works. Our trade receivables turnover days were approximately 20.9 days, 28.5 days, 33.7 days and 56.1 days for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively. The increasing trade receivables turnover days was mainly due to the same reason for the increase in the aged receivables as explained above. Despite the increase in our trade receivables turnover days, a significant portion of our trade receivables was aged between 0 and 60 days as at 30 September 2015, 2016 and 2017 and 31 March 2018 and our Directors believe that there were no significant change in credit quality in our trade receivables.

As at the Latest Practicable Date, approximately HK\$65.7 million or 86.3% of our trade receivables as at 31 March 2018 has been settled.

Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention monies depends on the negotiation between the parties, which is in general at approximately 10% of the value of works certified in each progress payment and is subject to a ceiling of approximately 5% to 10% of the total contract sum. The terms and conditions in relation to the release of retention monies also vary from contract to contract, which may subject to, practical completion, the expiry of the defects liability period or a pre-agreed time period.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, our retention receivables was approximately HK\$25.3 million, HK\$38.4 million, HK\$37.2 million and 45.0 million, respectively. Such increase was mainly due to the increasing amount of works done as a result of the increase in the number of sizeable projects undertaken during the Track Record Period. The following table sets forth the ageing analysis of retention receivables based on payment certificate date or invoice date as at the end of the periods indicated:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	21,723	22,264	7,059	12,933
Over one year	3,581	16,137	30,108	32,019
	25,304	38,401	37,167	44,952

Except for the retention receivables of approximately HK\$16.1 million, HK\$33.6 million, HK\$13.6 million and HK\$10.9 million as at 30 September 2015, 2016 and 2017 and 31 March 2018, respectively, which were expected to be recovered or settled after one year, all of the remaining balances of our retention receivables are expected to be recovered within one year. All retention receivables are included in current assets as our Group expects to collect the retention receivables with its normal operating cycles.

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Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily included deposits for the issue of surety bonds, rental and utilities deposits, deposits for materials purchases, and prepayments of expenses. As at 30 September 2015, 2016 and 2017, our other receivables, deposits and prepayments were approximately HK\$10.4 million, HK\$10.5 million and HK\$2.5 million, respectively. The decrease in other receivables, deposits and prepayments was mainly attributable to the decrease in deposits for the issue of surety bonds resulted from the release of surety bonds upon practical completion of the relevant projects. As at 31 March 2018, our other receivables, deposits and prepayments increased to approximately HK\$3.9 million, mainly due to the increase in deposits paid to our suppliers and subcontractors for materials purchases for the electrical and mechanical installation for the composite development at Cheung Sha Wan (Project P00488).

Amounts due from/to customers for contract work

Our Group recognises amounts due from customers for contract work as an asset when costs incurred plus recognised profits (less recognised losses) exceed progress billings, which, in practice, generally means when (i) we have incurred contract costs that relate to future activity on the contract; and (ii) progress billings had not yet taken place as at the financial year end date in respect of construction works performed by our Group during that financial year. Our Group recognises amounts due to customers for contract work as a liability when progress billings exceed costs incurred plus recognised profits (less recognised losses). The following table sets forth the details of the amounts due from/ to customers for contract works as at each reporting date:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from customers for contract work				
Contract costs incurred plus recognised profits less recognised losses	343,008	533,111	680,978	828,790
Less: Progress billings	<u>(307,673)</u>	<u>(505,934)</u>	<u>(658,261)</u>	<u>(797,991)</u>
	<u>35,335</u>	<u>27,177</u>	<u>22,717</u>	<u>30,799</u>
Amounts due to customers for contract work				
Progress billings	271,593	167,069	150,708	160,551
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(268,080)</u>	<u>(164,054)</u>	<u>(138,537)</u>	<u>(134,896)</u>
	<u>3,513</u>	<u>3,015</u>	<u>12,171</u>	<u>25,655</u>

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According to our Group's accounting policies and applicable accounting standards, our Group's revenue and cost of sales in relation to construction contracts are recognised by reference to the stage of completion of the contracts, which is measured by reference to the value of work performed to date as a percentage of total contract value. In practice, our Group measures the value of work performed in a financial period based on the value of work approved or certified in the payment certificates issued by the customers for the same financial period. It normally takes some time for our Group to submit payment applications and for the customers to verify the works done in the previous periods, and therefore, payment applications and/or certifications may not always be completed before the financial period end date. For instance, a customer may issue the payment certificate of work performed up to 30 September 2017 in or around late October 2017. In such case, our Group would recognise the amount of works done (certified in late October 2017) as revenue for the year ended 30 September 2017 and amounts due from customers for contract work as at 30 September 2017, and reclassify such amount as trade receivables from amounts due from customers for contract works when the progress billings occur in or around late October 2017 (upon receiving the payment certificate from our customers for our work done performed up to 30 September 2017). Due to the abovementioned accounting policies and practice and timing difference in customer certification, our Group may have certain amount of revenue which is pending customers' certification as at the end of a financial period, mainly attributable to works performed towards the financial period end pending payment certificates to be issued in the next financial period.

Our gross amounts due from/to customers for contract work are normally affected by (i) the amount of works undertaken by us at the time close to the end of each reporting period; (ii) the timing when our customers certify our work done; (iii) the timing when our subcontractors' work done is certified and the cost of construction materials is incurred; and (iv) our progress billings for the projects, which can vary from period to period.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, revenue of approximately HK\$33.1 million, HK\$25.1 million, HK\$25.0 million and HK\$22.7 million were certified by our customers in the payment certificates issued subsequent to the respective reporting period end but relating to the works done during the respective financial period. Included in the gross amounts due from customers for contract work, other than the unbilled revenue as mentioned above, is the remaining amount as at 30 September 2015 and 2016 and 31 March 2018, which mainly consisted of the costs incurred in relation to future activities to the contracts. As at 30 September 2017, the gross amount due from customers for contract work being lower than the unbilled revenue was primarily due to the delay in payment application submitted by our subcontractors for certain works in the construction of organic waste treatment facilities on Lantau Island (Project P00424). None of the revenue and amounts due from customers for contract work which had been recognised were reversed subsequent to customer certification. As confirmed by our Directors, during the Track Record Period, our Group did not have any material disputes with our customers in relation to revenue certification which would have any material impact on our business, financial condition or results of operations.

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Subsequent settlement

Gross amounts due from customers for contract work have arisen during the Track Record Period mainly because progress billings had not yet taken place as at a financial year end date in respect of works performed by our Group during that financial year. When progress billings take place subsequently, the relevant amounts due from customers for contract works will become our trade receivables and/or retention receivables.

In respect of the amounts of approximately HK\$35.3 million due from customers for contract work as at 30 September 2015, all had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date.

Of the amounts of approximately HK\$27.2 million due from customers for contract work as at 30 September 2016, approximately HK\$24.7 million had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date.

Of the amounts of approximately HK\$22.7 million due from customers for contract work as at 30 September 2017, approximately HK\$17.9 million and HK\$17.0 million had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date, respectively.

Of the amounts of approximately HK\$30.8 million due from customers for contract work as at 31 March 2018, approximately HK\$20.5 million or 66.6% and HK\$19.6 million or 63.6% had been subsequently billed and settled by the relevant customers up to the Latest Practicable Date, respectively. The remaining unbilled and unsettled portion represented the costs incurred in certain projects which were not billable according to the project stage of completion as the final accounts of the respective projects were still being processed by our customers.

Financial assets at fair value through profit or loss

As at 30 September 2015, 2016 and 2017 and 31 March 2018, our Group held Hong Kong listed fund for trading purposes which amounted to approximately HK\$259,000, HK\$288,000, HK\$341,000 and HK\$365,000, respectively.

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Trade and other payables

Our trade and other payables comprised of trade payables, retention payables, accruals and other payables, and receipts in advance. The following table sets forth the details of our trade and other payables as at the dates indicated:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	47,435	27,874	16,140	28,439
Retention payables	13,534	19,333	19,641	21,927
Accruals and other payables	25,296	29,484	22,781	34,434
Receipts in advance	<u>250</u>	<u>42,460</u>	<u>33,752</u>	<u>23,581</u>
	<u>86,515</u>	<u>119,151</u>	<u>92,314</u>	<u>108,381</u>

Trade payables

During the Track Record Period, our trade payables were mainly for purchase of construction materials from our suppliers and subcontracting charges for works performed by our subcontractors.

Our trade payables were approximately HK\$47.4 million, HK\$27.9 million, HK\$16.1 million and HK\$28.4 million as at 30 September 2015, 2016 and 2017 and 31 March 2018, respectively. As our business is project-based in nature, our cost of sales and our trade payables balance during the Track Record Period varied depending on the scale and the progress of our construction works and the timing when our subcontractors and suppliers issued the billings to us. As we had higher value of work undertaken by our subcontractors towards the year end of 2015 as compared with that of 2016, we recorded higher balances of trade payables. Our trade payables further decreased as at 30 September 2017, mainly because our newly commenced sizeable projects were still at early stages and we consumed a relatively larger amount of upfront costs such as insurance expenses. Such suppliers generally offered nil or short credit period resulting in lower trade payables. As at 31 March 2018, our trade payables increased to approximately HK\$28.4 million, mainly due to higher subcontracting charges and materials purchases incurred for our sizeable projects towards the end of March 2018.

As at the Latest Practicable Date, approximately 86.3% of our trade payables outstanding as at 31 March 2018 had been subsequently settled.

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The following table sets forth the ageing analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 30 September			As at 31
	2015	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2018
0-30 days	40,600	25,500	8,154	22,387
31-60 days	5,480	1,362	3,956	2,380
61-90 days	232	469	1,381	–
Over 90 days	<u>1,123</u>	<u>543</u>	<u>2,649</u>	<u>3,672</u>
	<u><u>47,435</u></u>	<u><u>27,874</u></u>	<u><u>16,140</u></u>	<u><u>28,439</u></u>

We generally receive credit terms of 0 to 45 days from our suppliers and subcontractors. The following table sets forth the turnover days of trade payables for the periods indicated:

	For the year ended 30 September			For the
				six months
	2015	2016	2017	ended 31
Trade payables turnover days	29.0 days	35.3 days	25.2 days	March
				2018
				24.3 days

Note: Trade payables turnover days are calculated based on the average trade payables divided by the cost of sales for the relevant year/period multiplied by number of days in the relevant year/period (365 days, 366 days, 365 days and 182 days for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively). Average trade payables are calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

Trade payables turnover days were 29.0 days, 35.3 days, 25.2 days and 24.3 days for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively, which were generally in line with the credit periods granted by our suppliers and subcontractors. Our Directors considered that we had stable relationship with our suppliers and subcontractors and confirmed that we had no material disputes with our suppliers and subcontractors during the Track Record Period.

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Retention payables

Retention payables represent the retention monies withheld by us from the progress payments to our subcontractors to secure our subcontractors' due performance of the contracts. Typically, the amount of retention monies depends on the negotiation between the parties, which is in general at approximately 5% to 10% of the value of works certified in each progress payment, subject to a cap of approximately 5% of the subcontract sum. The terms and conditions in relation to the release of retention monies also vary from contract to contract, which may be subject to, practical completion, the expiry of the defects liability period or a pre-agreed time period. As at 30 September 2015, 2016 and 2017 and 31 March 2018, our retention payables amounted to approximately HK\$13.5 million, HK\$19.3 million, HK\$19.6 million and HK\$21.9 million, respectively.

Accruals and other payables

Our accruals and other payables mainly include trade accruals, accrued employee benefit expenses, accrued listing expenses and payables in relation to deposits for surety bonds shared by our subcontractors. Trade accruals refers to cost of services relating to our construction projects which had been recognised but for which we had not yet received invoices from our subcontractors and suppliers as at the end of the financial year. Typically, such amounts arose when services had been rendered by our subcontractors or supplies had been delivered by our suppliers as at year end but we had not received invoices from them. As at 30 September 2015, 2016 and 2017 and 31 March 2018, our accruals and other payables amounted to approximately HK\$25.3 million, HK\$29.5 million, HK\$22.8 million and HK\$34.4 million, respectively.

Receipts in advance

As at 30 September 2015, 2016 and 2017 and 31 March 2018, our receipts in advance were approximately HK\$250,000, HK\$42.5 million, HK\$33.8 million and HK\$23.6 million, respectively. The increase in our receipts in advance as at 30 September 2016 was mainly attributable to the deposit we received from our customer for the school redevelopment at Kowloon (Project 1506). Although we do not normally receive deposits or advance payments for provision of construction works, for Project 1506, we negotiated for such deposit as our Directors considered that (i) Project 1506 is of relatively large scale with an awarded contract sum of approximately HK\$274.5 million, as the main contractor of the project, we expect to incur relatively large amount of upfront costs and payments to subcontractors or suppliers before substantial value of work done is certified by our customer; (ii) due to the relatively long project period of over 30 months of the project, the cash inflows are expected to take longer time; and (iii) our capacity to undertake extra projects would be constrained in view of our internal resources and our projects on hand. Upon awarding the contract to us, our customer agreed to provide us a deposit of approximately HK\$41.2 million, which would be gradually released as a partial settlement amounted to approximately 15% of the value of work done for each payment certificate over the project period. The deposit requirement was incorporated in our submitted tender. Our Directors believe that our customer agreed to provide us with such deposit because of our optimised design proposal, extensive job reference, technical capability, competitive pricing, as well as our agreement that such deposit will only be applied to fund Project 1506 works. Our

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receipts in advance decreased as at 30 September 2017 and 31 March 2018 mainly due to the gradual release of the deposit for the Project 1506 as partial settlement of our work done in 2017 as explained above.

Income tax payable

As at 30 September 2015, 2016 and 2017 and 31 March 2018, our income tax payable amounted to approximately HK\$6.2 million, HK\$7.5 million, HK\$9.6 million and HK\$5.6 million, respectively.

Background and particulars of the tax incident

During the preparation for the Listing, our Directors and accounting and finance staff conducted an internal review of the financial statements of our operating subsidiaries and identified errors in the tax computations and the tax returns filed with the Inland Revenue Department (the “**IRD**”). As confirmed by our Directors, such incorrect filings were not willful and were mainly due to the different accounting treatments as advised by the then auditor of the statutory accounts of the operating subsidiaries (the “**Then Auditor**”), a local audit firm which is registered with the HKICPA.

Our Directors consider that the errors mainly stemmed from the Then Auditor’s advice on the accounting treatments, leading to the failure of Fong On Construction, Fong On Geotechnics, Po Shing Construction and James Lau & Associates (collectively, the “**Relevant Companies**”) to appropriately apply HKAS 11 Construction Contracts to their respective historical statutory financial statements for the years ended 30 September 2014, 2015 and 2016 (the “**Relevant Period**”). As a result, revenue and expenses were recognised when invoices were respectively issued to customers and received from suppliers and subcontractors, rather than by reference to the stage of completion of a contract stipulated under HKAS 11 Construction Contracts, thereby creating a mismatch given the timing difference between the revenue and expense recognition methods. The errors caused the profits before tax figures to be overstated or understated in the audited statutory financial statements of the Relevant Companies during the Relevant Period, which in turn rendered the tax returns filed with the IRD incorrect and resulted in overall understatement of taxable profits for the Relevant Companies during the corresponding years of assessment during the Relevant Period.

Accordingly, prior year adjustments for the Relevant Period (“**PYAs**”) were made and reflected in the revised audited financial statements of the Relevant Companies issued by the incumbent auditor. The PYAs mainly included adjustments for:

- (i) the timing differences in revenue and expense recognition by reference to the stage of completion of a contract stipulated under HKAS 11 Construction Contracts, which increased our profit before tax by approximately HK\$3.2 million and HK\$14.3 million for the years ended 30 September 2014 and 2015, respectively, and reduced our profit before tax by approximately HK\$2.1 million for the year ended 30 September 2016 in the revised audited financial statements of the Relevant Companies. The amount of the understatement of profit for the years ended 30 September 2014 and 2015 was higher than the overstatement of

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profit for the year ended 30 September 2016, mainly because (i) some of the sizeable projects, such as the construction of organic waste treatment facilities on Lantau Island (Project P00424), commenced before 30 September 2015 were not yet completed by 30 September 2016 and were carried forward to the year ended 30 September 2017 or later; and (ii) it was common for our projects to incur upfront costs and expenses for our suppliers and subcontractors before substantial value of work being certified by our customers, and thus the projects newly commenced during the year ended 30 September 2016 would lead to an understatement of profit for that year and partially offset the impact of the gradual reflection of the timing difference brought from the years ended 30 September 2014 and 2015. Our Directors consider that upon the completion and the certification of the contract revenue of all of the projects brought forward from the Relevant Period, the timing differences between the revenue and expense recognition methods for the Relevant Period would be fully reflected accordingly; and

- (ii) other minor accounting treatment and computational errors, including (a) recognised investment in listed securities as financial assets at fair value through profit or loss as opposed to long term security investment, which reduced our profit before tax by approximately HK\$5,000 and HK\$27,000 for the years ended 30 September 2014 and 2015, respectively, and increased our profit before tax by approximately HK\$29,000 for the year ended 30 September 2016 in the revised audited financial statements of the Relevant Companies; (b) adjustments regarding receipts or payments on behalf of related parties recognised as profit or loss items, which increased our profit before tax by approximately HK\$1.8 million and HK\$0.7 million for the years ended 30 September 2015 and 2016, respectively, in the revised audited financial statements of the Relevant Companies. Such errors were mainly caused by the unintentional and inadvertent oversight of the accounting staff, who had wrongly regarded our payment on behalf of (i) our Directors on certain of their personal expenses; and (ii) Maxwell Contract Services on its rental expenses, as the operating expenses of the Relevant Companies; (c) adjustments regarding depreciation expenses, which reduced our profit before tax by approximately HK\$201,000 for the year ended 30 September 2014, increased our profit before tax by approximately HK\$36,000 for the year ended 30 September 2015, and reduced our profit before tax by approximately HK\$65,000 for the year ended 30 September 2016 in the revised audited financial statements of the Relevant Companies; and (d) adjustments regarding the provision for impairment of trade receivables, which reduced our profit before tax by approximately HK\$197,000, HK\$45,000 and HK\$213,000 for the years ended 30 September 2014, 2015 and 2016, respectively, in the revised audited financial statements of the Relevant Companies.

To rectify the tax position arising from the PYAs, our Group has engaged HLB Hodgson Impey Cheng Taxation Services Limited to act as our tax adviser (the “**Tax Adviser**”) to assist with reviewing the revised profits tax computations of the Relevant Companies for the Relevant Period and to inform the IRD to rectify the errors reported in the profits tax returns previously filed. The revised profits tax computations have been submitted to the IRD in March 2018.

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Based on the revised tax computations filed by our Group to the IRD, it is estimated that additional tax charges of approximately HK\$0.2 million, HK\$2.5 million and HK\$0.3 million would be incurred in respect of the PYAs for the years ended 30 September 2014, 2015 and 2016, respectively. Our Group has made full provision for the tax undercharged in our accounts for the respective financial years.

The IRD has issued additional or revised tax assessments to Fong On Geotechnics for the years ended 30 September 2014, 2015 and 2016 in April 2018 in accordance with the revised tax computations submitted. The IRD has also issued additional or revised tax assessments for the Relevant Periods to Fong On Construction and Po Shing Construction as at the Latest Practicable Date. The additional amount of tax payable of Fong On Construction and Po Shing Construction assessed by the IRD for the year ended 30 September 2014 was approximately HK\$46,000 and HK\$0.3 million higher than our respective revised profits tax computations submitted, mainly due to increase in retained earnings as at 1 October 2013 as a result of the PYAs prior to the Track Record Period being treated as tax assessable. For the years ended 30 September 2015 and 2016, the additional or revised tax assessments to Fong On Construction and Po Shing Construction were in accordance with our revised tax computations submitted.

As at the Latest Practicable Date, as for Fong On Geotechnics, Fong On Construction and Po Shing Construction, all of the additional tax demand for the Relevant Periods have been settled, and the refund of tax for Fong On Geotechnics and Fong On Construction for the year ended 30 September 2016 have been received. As for James Lau & Associates, the IRD was still in process of reviewing the information and documents submitted in relation to the revised profits tax computations.

The likelihood of prosecution against our Group and the then directors of the Relevant Companies, and the potential financial impact on our Group

Pursuant to section 80(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong, the “IRO”), any person who without reasonable excuse makes an incorrect return or statement or gives incorrect information is liable to a fine of HK\$10,000 and a further fine of treble the amount of tax undercharged. Under section 82(1) of the IRO, any person who wilfully with intent to evade tax makes any false statement or gives any false answer to any question or request for information asked or made in accordance with the IRO is liable to a fine of HK\$10,000, a further fine of treble the amount of tax undercharged and imprisonment for six months on summary conviction, or liable to a fine of HK\$50,000, a further fine of treble the amount of tax undercharged and imprisonment for three years on indictment. Where there is no prosecution instituted under sections 80(2) or 82(1) of the IRO, any person who without reasonable excuse makes an incorrect return or statement or gives incorrect information is liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged under section 82A of the IRO.

In this regard, we have obtained tax opinion issued by the Tax Adviser in respect of the likelihood of prosecution against our Group and the then directors of the Relevant Companies, and the potential liabilities that may be imposed on our Group by the IRD.

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According to the Tax Adviser, the likelihood of prosecution against our Group and the then directors of the Relevant Companies is remote, having considered that:

- (i) our Group and the then directors of the Relevant Companies have relied on the professional advice of the Then Auditor on the accounting treatments in the audited financial statements when the tax computations and tax returns were prepared and submitted for the Relevant Period. Hence, there was no intention to evade any additional tax;
- (ii) the understatement of taxable profits in the original tax returns of the Relevant Companies for the Relevant Period mainly represented timing differences which will be fully reflected in the statutory financial statements for the year ended 30 September 2017 or later depending on the life span of the projects; and
- (iii) our Group has taken proactive steps to inform the IRD of the necessary tax adjustments by submitting the revised tax computations together with the revised audited financial statements to the IRD as soon as practicable after the errors were discovered.

The Tax Adviser further advised that even in the remote occurrence of encountering penal actions taken by the IRD against the Relevant Companies, a penalty of not more than approximately HK\$303,000 (being 10% of the tax undercharged) may be imposed, based on various decisions of the Board of Review, and the IRD's penalty policy for cases that do not involve any intentional disregard of the law and adoptions of deliberate cover-up tactics. Our Group has made full provision of such estimated highest penalty in our accounts for the respective financial years. As at the Latest Practicable Date, the Relevant Companies have not received any notice for penalty from the IRD in relation to the tax incident.

Internal control measures to prevent the recurrence of similar tax incidents

To avoid the reoccurrence of similar tax incidents as disclosed above, we have implemented the following internal control measures:

- (i) we have appointed a certified public accountant to review management accounts and financial information prepared by our accounting staff before approval by our Directors;
- (ii) we have established an accounting policies and procedures manual specifying the revenue and expenses recognition policies and the procedures describing the flow of process and the relevant approvals to be obtained, and we will update the manual with the latest applicable financial reporting standards through regular review;
- (iii) we have required our project managers to discuss the project status with our customers regularly and share the latest project status information with our accounting and finance department so as to timely reconcile any discrepancy between project status, revenue recognition and trade receivables. We have established flow of procedures to ensure relevant documents relating to projects,

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such as interim payment applications to our customers and interim certificates from customers, are available for the staff of accounting department to prepare the management accounts and financial information;

- (iv) we will assess and monitor the implementation of our internal control policies regarding financial reporting through regular review;
- (v) we will arrange for our accounting and finance staff to attend trainings on accounting and tax issue from time to time; and
- (vi) our Audit Committee will oversee the financial reporting and internal control procedures in accounting and financial matters.

Having considered the above enhanced measures, our Directors are of the view that our internal control measures are sufficient and could effectively prevent the recurrence of similar tax incidents.

RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

Set out in note 26 to the financial information in the Accountants' Report in Appendix I to this prospectus and the followings were our related party transactions during the Track Record Period. Our Directors confirm that all of the related party transactions were conducted in the ordinary course of business on an arm's length basis with normal commercial terms and our terms were not less favourable than the terms available from/to Independent Third Parties. Our Directors consider them fair and reasonable and in the interest of our Shareholders and our Group as a whole.

(i) *Hip Shing*

Provision of subcontracting services from Hip Shing to us

Prior to and during the Track Record Period, we entered into several subcontracting agreements with Hip Shing pursuant to which Po Shing Construction engaged Hip Shing as a subcontractor to perform certain project management services for some of our projects. Hip Shing is a construction and engineering contractor and consultant in Hong Kong primarily engaged in construction and project management works, and is owned as to approximately 33.3% and 66.7% by Mr. Christopher Lee and Ms. Leung Siu Lan Teresa (the spouse of Mr. Christopher Lee), respectively. Mr. Christopher Lee was a director of Po Shing Construction from January 2004 to December 2017.

Subcontracting fee charged by Hip Shing to our Group amounted to approximately HK\$2.1 million, HK\$3.2 million, HK\$2.8 million and HK\$2.5 million for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, respectively, representing approximately 0.7%, 1.1%, 1.1% and 1.7% of our total subcontracting charges for the respective period. We have entered into the Hip Shing

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Framework Agreement with Hip Shing pursuant to which Hip Shing has agreed to provide project management services to us which constitutes continuing connected transactions for our Company under Chapter 14A of the Listing Rules. Please refer to the section headed “Connected Transactions” in this prospectus for details.

Lease of certain office premises by us to Hip Shing

During the Track Record Period, Hip Shing also rented certain office premises from us. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, rental income from Hip Shing amounted to approximately HK\$78,000, HK\$87,000, HK\$100,000 and HK\$8,000, respectively. Since November 2017, Hip Shing has no longer rented any office premises from us.

(ii) Maxwell Contract Services

Provision of consultancy services by us to Maxwell Contract Services

During the Track Record Period, we provided engineering consulting services to Maxwell Contract Services, a company principally providing engineering expert witness services for construction dispute resolution and owned as to 50% by Dr. CW Lau and 50% by an Independent Third Party.

During the Track Record Period, the engineering consulting services provided by us to Maxwell Contract Services mainly included engineering analysis, design calculation and drafting services. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our revenue from services provided to Maxwell Contract Services amounted to approximately HK\$4.6 million, HK\$6.3 million, HK\$5.5 million and HK\$1.3 million, respectively, representing approximately 1.2%, 1.5%, 1.5% and 0.7% of our revenue for the period. For the same periods, our gross profit contributed from Maxwell Contract Services amounted to approximately HK\$3.3 million, HK\$4.4 million, HK\$3.5 million and HK\$0.8 million, and the corresponding gross profit margin was approximately 74.0%, 70.1%, 64.1% and 61.4%, respectively. Since January 2018, we have no longer provided any engineering consulting services to Maxwell Contract Services, as (i) our Directors considered it would be more beneficial for our Group to devote our engineering resources to undertake design and build contracts and provide design consultancy services, so as to increase our competitiveness, strengthen our market position and expand our market share in the construction industry, having taken into account (a) our Directors believe that the growth opportunities of engineering consultancy services for construction dispute resolution are relatively limited as although our consultancy services to Maxwell Contract Services generated high gross profit margin, services provided by Maxwell Contract Services are time consuming and Maxwell Contract Services would not have the capacity to take on more jobs, while design and build contracts, being an increasingly popular procurement method for construction projects, may provide us better growth opportunities and steadier stream of income as the construction industry is expected to continue to grow in the foreseeable future according to the Ipsos Report; (b) design and build contracts are generally of higher contract sum and can provide us a larger absolute amount of profits; and (c) engaging in design consultancy services can

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strengthen our track record in providing construction designs and enable us to establish relationship with the project owners, which in turn may increase our tender or quotation success rate in bidding for design and build contracts in the future; and (ii) as confirmed by our Directors, the staff of Maxwell Contract Services, together with its external engineering consultants other than our Group who could provide similar engineering consulting services, were able to meet its service demand. In view that the revenue derived from Maxwell Contract Services only accounted for approximately or less than 1.5% of our total revenue during the Track Record Period, our Directors consider that the cessation of provision of engineering consulting services to Maxwell Contract Services would not have any material adverse impact on our Group's business.

As (i) Maxwell Contract Services is owned as to 50% by Dr. CW Lau and 50% by an Independent Third Party; and (ii) each of Dr. CW Lau and the Independent Third Party held the directorship of Maxwell Contract Services during the Track Record Period and up to the Latest Practicable Date, Dr. CW Lau does not have dominant control in Maxwell Contract Services. As confirmed by our Directors, during the Track Record Period, our Group was not the only engineering consultancy service provider for Maxwell Contract Services.

(iii) WPL & Associates

Provision of consultancy services by us to WPL & Associates

During the Track Record Period, we provided engineering consulting services in relation to construction works supervision to WPL & Associates, a company principally providing architectural and engineering consulting services in Hong Kong which Dr. CK Lau was one of the directors from February 2013 to December 2017.

During the Track Record Period, the engineering consulting services provided by us to WPL & Associates mainly included engineering site supervision and advisory services. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, our revenue from services provided to WPL & Associates amounted to approximately HK\$126,000, HK\$425,000, HK\$46,000 and nil, respectively. Following the resignation of directorship by Dr. CK Lau in WPL & Associates in December 2017, WPL & Associates is no longer a related party to our Group.

Balances with related parties

Please refer to notes 15, 18 and 23 of the Accountants' Report in Appendix I to this prospectus, and the paragraph headed "Amounts due from/to related parties" in this section for further details of balances with related parties. As at 30 September 2015, 2016 and 2017 and 31 March 2018, our amounts due from related parties were approximately HK\$1.3 million, HK\$8.6 million, HK\$5.8 million and HK\$6.1 million, respectively. Our amounts due to related parties were approximately HK\$1,000, HK\$1,000, HK\$1,000 and HK\$1,000, respectively.

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The aforementioned amounts due from/to our related parties were non-trade in nature, unsecured, non-interesting bearing and had no fixed terms of repayment. We expect to settle all amounts due from/to related parties prior to Listing.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 30 September			As at 31	As at 31
	2015	2016	2017	March	July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Unsecured and unguaranteed					
– Amount due to a related party	1	1	1	1	–
Secured and guaranteed:					
– Obligations under finance lease	<u>156</u>	<u>98</u>	<u>37</u>	<u>2,636</u>	<u>2,353</u>
Total	<u><u>157</u></u>	<u><u>99</u></u>	<u><u>38</u></u>	<u><u>2,637</u></u>	<u><u>2,353</u></u>

As at 30 September 2015, 2016 and 2017 and 31 March 2018, our Group had amount due to a related party and obligations under finance lease in aggregate of approximately HK\$157,000, HK\$99,000, HK\$38,000 and HK\$2.6 million respectively, all of which were denominated in Hong Kong Dollars. As at 31 July 2018, being the latest practicable date for determining indebtedness, our Group had obligations under finance lease of approximately HK\$2.4 million.

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Amounts due from/to related parties

Set out below are the balances due from/to our related parties as at each reporting date:

	As at 30 September			As at 31	As at 31
	2015	2016	2017	March	July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Amounts due from:					
Dr. CW Lau	167	2,571	2,443	2,708	2,813
Mr. CM Lau	540	2,890	1,590	1,590	1,590
Dr. CK Lau	540	2,890	1,590	1,590	1,590
Maxwell Contract Services	14	219	224	224	225
Hip Shing (<i>Note</i>)	<u>–</u>	<u>8</u>	<u>1</u>	<u>–</u>	<u>–</u>
	<u>1,261</u>	<u>8,578</u>	<u>5,848</u>	<u>6,112</u>	<u>6,218</u>
Amount due to:					
Fong On Information Technology Limited	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>–</u>

Note: Following the resignation of directorship by Mr. Christopher Lee in Po Shing Construction in December 2017, Hip Shing is no longer a related party to our Group.

These amounts were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment. Please refer to note 18 to the Accountants' Report set out in Appendix I to this prospectus for further details.

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Obligations under finance leases

During the Track Record Period, our Group had obligations under finance leases for purchase of motor vehicle. As at 30 September 2015, 2016 and 2017 and 31 March 2018 and 31 July 2018, our Group had outstanding finance leases payable as follows:

	As at 30 September			As at 31 March	As at 31 July
	2015	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(unaudited)					
Present value of minimum lease payments					
Within one year	58	61	37	849	854
More than one year but not more than two years	61	37	–	876	888
More than two years but not more than five years	<u>37</u>	<u>–</u>	<u>–</u>	<u>911</u>	<u>611</u>
	<u>156</u>	<u>98</u>	<u>37</u>	<u>2,636</u>	<u>2,353</u>

Our finance leases were denominated in Hong Kong dollars and the interest rates of our obligations under finance leases for the year ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 were approximately 4.73%, 4.73%, 4.73% and 3.85% to 4.73% per annum, respectively. The obligations under finance leases were secured by (i) the rights to the leased assets revert to the lessors in the event of default; and guaranteed by (ii) the personal guarantee provided by Dr. CW Lau; and (iii) personal guarantees provided by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau, which will be released and replaced by the corporate guarantee of our Company upon Listing. For details of our obligations under finance leases, please refer to note 21 to the Accountants' Report set out in Appendix I to this prospectus.

Banking facilities

Our Group has maintained bank overdraft facilities to finance our working capital requirement of our operations. As at 30 September 2015, 2016, 2017 and 31 March 2018 and 31 July 2018, our Group had unutilised banking facilities, comprising mainly bank guarantee line and overdraft facilities, of approximately HK\$4.2 million, HK\$4.2 million, HK\$4.2 million, HK\$9.7 million and HK\$9.7 million, respectively which were secured or guaranteed by (i) personal guarantees given by Dr. CW Lau, Mr. CM Lau, Dr. CK Lau and Ms. Ng Kooi Har; and (ii) a property held by Mr. CM Lau and Ms. Ng Kooi Har. Such security and personal guarantees will be released and replaced by the corporate guarantee of our Company upon Listing.

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As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of our banking facilities during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 July 2018 and up to the date of this prospectus.

As confirmed by our Directors, apart from intra-group liabilities and normal trade bills, our Group did not have, as at the Latest Practicable Date, any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to the acquisition of furniture and fixtures, office equipment, leasehold improvements and motor vehicles and machinery. The following table sets forth our additions of property, plant and equipment for the periods indicated.

	For the year ended 30 September			For the six months ended 31 March
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Furniture and fixtures	59	11	8	–
Office equipment	398	173	450	21
Leasehold improvements	93	–	–	–
Motor vehicles	316	–	–	–
Machinery	–	–	–	3,288
	<u>866</u>	<u>184</u>	<u>458</u>	<u>3,309</u>

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CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital commitments

As at 30 September 2015, 2016 and 2017 and 31 March 2018 and 31 July 2018, our Group did not have any material capital commitments.

Operating lease commitments

Our Group as lessee

During the Track Record Period, we leased certain office premises, quarters and office equipment under operating leases. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As at 30 September			As at 31	As at 31
	2015	2016	2017	March	July
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Within one year	659	1,072	612	120	1,130
In the second to fifth years inclusive	<u>87</u>	<u>574</u>	<u>141</u>	<u>122</u>	<u>109</u>
Total	<u>746</u>	<u>1,646</u>	<u>753</u>	<u>242</u>	<u>1,239</u>

Our leases typically run for an initial period of 1 to 5 years, with an option to renew the leases whereby all terms are renegotiated.

During the Track Record Period, our operating leases in respect of our office premises were secured by personal guarantee executed by Dr. CW Lau. Such personal guarantee will be released and replaced by the corporate guarantee of our Company upon Listing.

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Our Group as lessor

During the Track Record Period, Hip Shing rented certain office premises from us under operating leases. The following table sets forth our total future minimum lease receivables under non-cancellable operating leases mentioned above as of the dates indicated:

	As at 30 September			As at 31	As at 31
	2015	2016	2017	March	July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	46	100	58	–	–
In the second to fifth years inclusive	<u>–</u>	<u>58</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>46</u>	<u>158</u>	<u>58</u>	<u>–</u>	<u>–</u>

The lease arrangement with Hip Shing has been terminated and discontinued since November 2017. For details of our transactions with Hip Shing, please refer to the paragraph headed “Related party transactions and balances” in this section.

Except for the contractual obligations set out in the paragraphs headed “Indebtedness” and the “Contractual obligations and commitments” in this section, as at the Latest Practicable Date, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder’s equity, or that are not reflected in our combined financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

During the Track Record Period, we have been involved in certain litigation and claims, details of which are disclosed in the section headed “Business – Legal proceedings and legal compliance” in this prospectus. Our Directors are of the opinion that the litigation and claims are not expected to have a material impact on our financial position or results of operations. As at the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially and adversely affect our financial positions or results of operations.

As at 30 September 2015, 2016 and 2017 and 31 March 2018 and 31 July 2018, we did not have any significant contingent liabilities.

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WORKING CAPITAL SUFFICIENCY

Taking into consideration the financial resources available to us including the internally generated funds and the estimated net proceeds our Company will receive from the Share Offer, our Directors are of the view and the Sponsor concurs, after due and careful inquiry, that our Group has sufficient working capital for at least 12 months commencing from the date of this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios during the Track Record Period:

	For the year ended or as at 30 September			For the six months ended or as at 31 March
	2015	2016	2017	2018
Profitability ratios				
Gross profit margin (<i>Note 1</i>)	8.9%	8.5%	11.4%	11.7%
Net profit margin (<i>Note 2</i>)	6.2%	4.8%	6.7%	0.6%
Return on equity (<i>Note 3</i>)	51.5%	27.3%	24.8%	1.9%
Return on total assets (<i>Note 4</i>)	16.7%	9.9%	11.4%	0.9%
Liquidity ratios				
Current/Quick ratio (<i>Note 5</i>)	1.5 times	1.6 times	1.8 times	1.7 times
Capital adequacy ratios				
Interest coverage ratio (<i>Note 6</i>)	3,198.7 times	4,067.5 times	9,637.7 times	3,502 times
Gearing ratio (<i>Note 7</i>)	0.3%	0.1%	0.0%	2.7%

Notes:

- Gross profit margin is calculated by dividing our revenue minus our cost of sales for the respective year/period by our revenue for the same year/period, and multiplying the result by 100%.
- Net profit margin is calculated by dividing the net profit for the respective year/period by our revenue for the same year/period, and multiplying the result by 100%.
- Return on equity is calculated based on the net profit attributable to the owners of our Company for the respective year/period divided by the total equity attributable to the owners of our Company as at the end of the respective year/period, multiplied by 100% for each of the years ended 30 September 2015, 2016 and 2017; or multiplied by 365/182 and then multiplying the resulting value by 100% for the six months ended 31 March 2018.
- Return on total assets is calculated based on the net profit for the respective year/period divided by the total assets as at the end of the respective year/period, multiplied by 100% for each of the years ended 30 September 2015, 2016 and 2017; or multiplied by 365/182 and then multiplying the resulting value by 100% for the six months ended 31 March 2018.
- Current ratio is calculated based on the total current assets as at the end of the respective year/period divided by the total current liabilities as at the end of the respective year/period.

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Quick ratio is calculated based on the total current assets minus inventories as at the end of the respective year/period divided by the total current liabilities as at the end of the respective year/period.

6. Interest coverage ratio is calculated based on the net profit before interest and tax for the respective year/period divided by the interest expenses for the respective year/period.
7. Gearing ratio is calculated based on the total debt (summation of borrowings, obligations under finance leases and amount due to a related party) as at the end of the respective year/period divided by total equity as at the end of the respective year/period and multiplied by 100%.

Return on equity

For the years ended 30 September 2015, 2016 and 2017, our return on equity was approximately 51.5%, 27.3% and 24.8%, respectively. The decrease in our return on equity throughout the period was mainly attributable to the increase in the total equity resulting from the profit generated throughout the period. For the six months ended 31 March 2018, our return on equity further decreased to approximately 1.9%, mainly due to the decrease in net profit resulting from the recognition of listing expenses of approximately HK\$10.9 million.

Return on total assets

Return on total assets decreased from approximately 16.7% for the year ended 30 September 2015 to approximately 9.9% for the year ended 30 September 2016. The decrease was mainly due to the increase in total assets of approximately 43.1% as compared to the decrease in net profit of approximately 15.0%. The significant expansion of our total assets base was primarily attributable to the increase in working capital contributed from the profit for the year ended 30 September 2015 and the deposit received from our customer for the school redevelopment at Kowloon (Project 1506). Return on total assets for the year ended 30 September 2017 increased to approximately 11.4% as compared with approximately 9.9% for the year ended 30 September 2016, mainly due to the increase in gross profit margin and the gradual release of the deposit for Project 1506 as partial settlement of our work done in 2017. For the six months ended 31 March 2018, our return on total assets decreased to approximately 0.9%. Such decrease was mainly due to (i) the decrease in net profit resulting from the recognition of listing expenses of approximately HK\$10.9 million; and (ii) the increase in total assets mainly on the increase in working capital for the period ended 31 March 2018 and the purchase of fixed assets partially financed by borrowings.

Interest coverage ratio

During the Track Record Period, as we generally financed our operations through our cash generated from operating activities, we did not incur significant finance costs and have recorded relatively high interest coverage ratio of approximately 3,198.7 times, 4,067.5 times and 9,637.7 times for the years ended 30 September 2015, 2016 and 2017, respectively. The increasing interest coverage ratio was mainly due to the decrease in our finance cost during the Track Record Period. For the six months ended 31 March 2018, our interest coverage ratio decreased to approximately 3,502.0 times, mainly due to the decrease in net profit before interest and tax resulting from the recognition of listing expenses of approximately HK\$10.9 million.

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Current/quick ratio

As our Group did not hold any inventory during the Track Record Period, the current ratio of our Group is identical to the quick ratio. Our current ratio increased from 1.5 times as at 30 September 2015 to approximately 1.6 times as at 30 September 2016, and it further increased to approximately 1.8 times as at 30 September 2017. Such increase was mainly due to the increase in our working capital as a result of our profitable operations. Our current ratio remained relatively stable at approximately 1.7 times as at 31 March 2018.

Gearing ratio

During the Track Record Period, as we did not place material reliance on borrowings to finance our operations, we have recorded relatively low gearing ratio of approximately 0.3%, 0.1%, 0.0% and 2.7% as at 30 September 2015, 2016 and 2017 and 31 March 2018, respectively.

DIVIDENDS AND DISTRIBUTABLE RESERVES

During the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, members of our Group have declared dividends in aggregate of approximately HK\$150,000, HK\$450,000, HK\$3.0 million and nil to their then shareholders, respectively. All of such dividends have been fully paid during the Track Record Period and such payments were financed by our internal resources. For details of our dividends declared and paid during the Track Record Period, please refer to note 12 to the financial information in the Accountants' Report set out in Appendix I to this prospectus.

On 14 September 2018, members of our Group declared dividends to their then shareholder in the sum of approximately HK\$15.1 million of which approximately 15.0 million was set off against the amounts due from directors and approximately HK\$0.1 million will be settled by cash by internal resources before Listing, which is expected to be on 16 October 2018.

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

Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy.

Our Company was incorporated on 3 January 2018 and has not carried out any business since the date of incorporation. Accordingly, our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 March 2018.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including interest rate risk, price risk, credit risk and liquidity risk. We monitor and manage these exposures to ensure appropriate measures are implemented in a timely and effective manner. Please also refer to note 3 to the Accountants' Report set out in Appendix I to this prospectus for further details regarding our financial risk management.

Interest rate risk

We are exposed to fair value interest rate risk in relation to our fixed-rate finance lease liabilities. We are also exposed to cash flow interest rate risk in relation to the variable-rate bank balances. In the event that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of debt obligations. We currently do not use any derivative instruments or have any interest rate hedging policy to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Price risk

Our Group is exposed to equity securities price risk because of investments held by our Group and classified on the combined statements of financial position at fair value through profit or loss. To manage our price risk from investments, our Group diversifies our portfolio. Our Group's investments are securities which are publicly traded and listed on the Stock Exchange.

Credit risk

The credit risk of our Group mainly arises from trade and other receivables, amounts due from related parties as well as cash and cash equivalents. The carrying amounts, where applicable, of each class of these financial assets represent our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates. Our credit risk of bank balances is limited because the counter parties are banks with sound credit ratings assigned by international credit-rating agencies. In respect of trade and other receivables, individual credit evaluations are performed on our customers and counter parties. Monitoring procedures have been implemented to ensure that follow-up action will be taken to recover overdue debts. Our Directors will consider making specific provisions for trade receivables at the end of each reporting year when there are indications that the balances are unlikely to be recovered.

Our Group has certain concentration of credit risk. Our top five debtors amounted to HK\$53.6 million, HK\$45.2 million, HK\$46.0 million and HK\$91.0 million, respectively, representing approximately 81.3%, 70.5%, 59.3% and 75.1% of our Group's trade and retention receivables as at 30 September 2015, 2016 and 2017 and 31 March 2018, respectively.

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Liquidity risk

Our Group's policy is to regularly monitor our current and expected liquidity requirements regularly to ensure that our Group maintains sufficient reserve of cash to meet our liquidity requirements in both long and short terms to ensure that our Group has sufficient financial resources to fund our operations.

DISCLOSURES REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon Listing.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and may not give a true picture of our financial position due to its hypothetical nature. Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

LISTING EXPENSES

Our Directors expect that our total listing expenses are non-recurring in nature. Assuming the Offer Price of HK\$0.65 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing expenses in relation to the Share Offer are approximately HK\$36.0 million, without taking into account any discretionary incentive fees, of which approximately HK\$15.6 million is directly attributable to the issue of Offer Shares and will be capitalised and deducted from equity upon Listing for the year ending 30 September 2018, approximately HK\$1.4 million and HK\$10.9 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 30 September 2017 and the six months ended 31 March 2018 respectively, and approximately HK\$8.1 million is expected to be incurred after the Track Record Period. These Listing expenses mainly comprised underwriting commission and professional fees paid and payable to the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, the legal advisers and the reporting accountants for their services rendered in relation to the Share Offer.

RECENT BUSINESS DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking construction works and consultancy services in Hong Kong. As at the Latest Practicable Date, we had 34 construction projects on hand (including projects in progress and projects yet to commence). The aggregate contract sum of all contracts on hand is approximately HK\$1,161.2 million of which approximately HK\$557.0 million of revenue has been recognised during the Track Record Period, and approximately HK\$403.5 million is expected to be recognised for the year ending 30 September 2018 based on the latest project schedules. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and

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none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Our construction projects” for details.

Following the Track Record Period, we have been continuously approached by customers for submitting tenders or quotations for new projects, and we have submitted 156 tenders or quotations with aggregate tender or quotation sum of approximately HK\$1,302.2 million up to the Latest Practicable Date, out of which we are still awaiting results for 54 tenders or quotations with an aggregate contract sum of over HK\$492 million. In this regard, our Directors have been cautiously optimistic in preparing our tenders or quotations with an aim to expand our business.

MATERIAL ADVERSE CHANGE

We did not experience any significant decrease in revenue or any unexpected increase in cost of sales and other costs subsequent to the Track Record Period and up to the Latest Practicable Date. The construction industry in Hong Kong remained relatively stable after the Track Record Period and up to the Latest Practicable Date. As far as our Directors are aware, there are no material adverse changes affecting the industry we operate in Hong Kong which could have a material and adverse impact on our business and financial conditions and our operating results. However, the impact of the Listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2018 (being the date on which our latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the Listing expenses on the financial performance of our Group for the year ending 30 September 2018.

Our Directors confirm that there has been no other material adverse change in our financial or trading position or prospects since 31 March 2018 (being the date on which our latest audited combined financial statements were prepared as set out in the Accountants’ Report in Appendix I to this prospectus) and up to the date of this prospectus and there had been no event since 31 March 2018 which would materially affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Based on the Offer Price of HK\$0.65 per Offer Share, being the mid-point of the indicative Offer Price ranged of HK\$0.625 per Offer Share to HK\$0.675 per Offer Share, the net proceeds from the Share Offer are estimated to be approximately HK\$94.0 million after deducting the related underwriting fees and estimated expenses in connection with the Share Offer. Our Directors intend to apply such net proceeds as follows:

- Approximately HK\$42.8 million, or 45.5% of the net proceeds will be used to apply for additional licences to capture the growing business opportunities in the public sector;

According to the Ipsos Report, the foundation and site formation industry and the general building works industry will grow continuously on the back of increasing demand for public infrastructure projects, including the 10-year hospital development plan, Hong Kong Convention and Exhibition Centre extension, Science Park expansion, and industrial estate development, and projects involving new development areas and new town extensions initiated by the Government. To strengthen our market position and to capture more sizeable projects in the public sector, we plan to apply for admission (i) as an approved contractor under the Group B (Probation) Approved Public Works Contractors List in the Buildings category in order to tender for public general building works projects with larger contract sum of up to HK\$300 million; and (ii) as an approved specialist contractor under the Group II Land Piling category for large diameter bored pile, rock-socketed steel H-pile in pre-bored hole and mini-pile in the Approved Specialist Contractors List in which our Group will be eligible to tender for foundation contracts of unlimited value to expand our portfolio of public sector works. Upon attaining the abovementioned qualifications, our Directors consider that our Group will be able to capture considerable business opportunities in the public sector, including various schools and public facilities development and building rehabilitation projects, having considered that (i) the licences enable our Group to tender for more contracts in the capacity of a main contractor; and (ii) even if we may not be selected as the main contractor of the projects, there are also increasing business opportunities for our Group to act as a subcontractor, as the main contractors of the public sector building construction projects are generally allowed to subcontract the land piling works only to the contractors on the Approved Specialist Contractors List of the relevant work categories.

To be eligible for the admission as the approved contractor in the above mentioned lists, we are required to meet the specific requirements as set out in the Contractor Management Handbook published by the Development Bureau, including among others, the possession of appropriate equipment and the

FUTURE PLANS AND USE OF PROCEEDS

availability of yard facilities. For further details, please refer to the section headed “Business – Business strategies” in this prospectus. The planned allocation of the net proceeds for applying for additional licences is set out as follows:

- (i) approximately HK\$24.0 million, or 25.5% of the net proceeds will be used for acquiring machinery to meet the equipment requirement for admission as an approved contractor under the Group II Land Piling category in the Approved Specialist Contractors List. Our Directors believe that it is beneficial for our Group to acquire additional machinery, mainly because (i) the ownership of appropriate machinery is required for our Group to obtain Group II licence of Land Piling category in the Approved Specialist Contractors List, which would enable our Group to expand our business in the public sector; (ii) the machinery which we intend to acquire are almost always used in our foundation projects. As a mark-up is usually included in the subcontractor’s quotation or the rental fee payable to the machinery rental service provider for the lease of machinery, if we possess the required machinery, we may let our subcontractors use our machinery and charge them a fee. The possession of owned machinery may therefore enable our Group to capture the extra layer of profit and increase our profit margin; and (iii) as supported by the Ipsos Report, possession of specialised machinery may potentially increase the competitiveness of a contractor. To their best knowledge, our Directors believe that in tendering for new projects, availability of machinery is one of the assessment criteria for a contractor, having a stronger machinery fleet allows us to devise suitable works schedules tailored to the different needs and requirements of different customers, enhance our flexibility to schedule our projects and deploy our manpower more efficiently and effectively and minimise the risk of delay in work progress which is especially important for projects of larger scale and higher complexity, and therefore, the establishment of a stronger machinery fleet could potentially increase our tender success rate. Further, it has been our business strategies to capture more sizeable projects and expand our market share, and position our Group as a contractor capable of providing a wide range of construction services. As (i) ownership of appropriate equipment is one of admission requirements to be admitted as an approved contractor under the Group II land piling category in the Approved Specialist Contractors List; and (ii) being an approved contractor under the Group II Land Piling category in the Approved Specialist Contractors List would enable our Group to tender for foundation works in the public sector as a main contractor, as well as enhance our corporate profile and help us gain confidence from other private sector customers who may give preference to contractors with more qualifications, our Directors consider that the acquisition of appropriate machinery by using the proceeds from the Share Offer is commensurate with our Group’s all along business strategies.

FUTURE PLANS AND USE OF PROCEEDS

We intend to utilise approximately HK\$24.0 million of the net proceeds from the Share Offer for acquiring the machinery and the planned allocation of the net proceeds among machinery acquisition is set out as follows:

Machinery investment	Number of units (set)	Amount (HK\$'000)
Bored piling machine (including crawler crane, oscillator, reverse circulation drill and accessories)	1	9,620
Rock socket piling machine (including drilling rig and accessories)	1	5,000
Mini-piling machine (including drilling rig and accessories)	2	4,000
Air compressor	4	3,400
Reserve for maintenance and consumables for the addition machines	<u>N/A</u>	<u>2,000</u>
Total	<u>8</u>	<u>24,020</u>

Note: Based on our projects on hand and the number of tenders submitted up to the Latest Practicable Date, our Directors expect the utilisation rate of the above machinery to be acquired to be over 80% for the year ending 30 September 2019.

- (ii) approximately HK\$15.0 million, or 16.0% of the net proceeds will be used for acquiring a piece of land of around 10,000 sq. ft. in the New Territories for machinery storage in about six months following the Listing, in order to meet the yard facilities requirement for admission as an approved contractor under the Group II Land Piling category in the Approved Specialist Contractors List, and to store our machinery fleet. As at the Latest Practicable Date, we are in the course of identifying a parcel of land to be acquired as our yard facilities in the New Territories. Based on the current market condition, it is expected that the total capital expenditure for the land property would be approximately HK\$21.5 million. We intend to utilise approximately HK\$15.0 million of the net proceeds from the Share Offer as downpayment for acquiring the land property and finance the remaining HK\$6.5 million by mortgage loan, after preliminary discussion with our banker that the estimated loan-to-value ratio of bank borrowing for the acquisition of land property for machinery storage in the New Territories is approximately 30%. Our Directors believe that our land property should have a floor area of approximately 10,000 sq. ft. after taken into consideration the space needed to store our additional machinery and the relevant land property available in the market.

FUTURE PLANS AND USE OF PROCEEDS

Notwithstanding that our Group is not required to own the land property in order to fulfill the relevant yard facilities requirement set out in the Contractor Management Handbook published by the Development Bureau, our Directors are of the view that it is in the interest of our Group to purchase rather than rent a land property mainly because:

- (1) our Directors consider that majority of the land property suitable for machinery storage are only available on short term tenancy, the purchase of our own land property could reduce the uncertainty and risk associated with not being able to renew the lease or rent suitable land property in a timely manner upon lease expiry, and can save administrative costs in lease renewal negotiation or relocation. Although a considerable amount of time and resources were spent to identify suitable yard facilities for rental during the Track Record Period, our Directors consider that it was difficult for us to identify suitable yard facilities for rental having considered, among others, the size, rental fee and availability of access road for transportation of machinery of the yard facilities, and we only manage to secure a licence by the licensor to the use of a parcel of land for machinery storage in Ma On Shan for a short term up to 13 March 2019. Further, while we have been negotiating with the licensor on renewing such land use licence, as confirmed by our Directors, we have experienced difficulties in renewing it as the captioned land may be utilised for other development projects. In view of the above, our Directors consider it important for our Group to purchase our own yard facilities to avoid the risks of not being able to rent or renew any lease for suitable yard facilities timely, which in turn may lead to suspension or revocation of our future registrations in the Approved Specialist Contractors List under the Group II Land Piling category and hinder our business operations and damage our reputation;
- (2) the supply of land in Hong Kong is expected to become scarcer such that the owning of the property will enable our Group to enjoy capital appreciation and mitigate the risk of rising rental cost;
- (3) our enhanced fixed assets base would also facilitate our negotiation with banks for financing in the future as we could pledge our property for lower interest rate and higher borrowing limit;
- (4) the estimated annual depreciation expense of the land property, being approximately HK\$430,000 (based on straight-line method over 50 years of depreciation, which is estimated by our Directors with reference to the general lease term of land properties in the New Territories and the Government's policy in relation to land leases renewal after 2047), will be lower than the estimated annual rental of approximately HK\$660,000 (based on quotations obtained from third parties) for a land property of similar size and location; and
- (5) according to the Ipsos Report, it is not uncommon for construction contractors to own yard facilities for machinery storage; and

FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately HK\$3.8 million, or 4.0% of the net proceeds will be used for increasing the employed capital of Po Shing Construction and Fong On Construction to meet the employed capital requirement for admission as an approved contractor under the Group B (Probation) Approved Public Works Contractors List and Group II Land Piling category in the Approved Specialist Contractors List, respectively, and will only be used to fulfill the capital requirements to maintain the approved contractors status on the Approved Public Works Contractors List and Approved Specialist Contractors List going forward.
- Approximately HK\$23.7 million, or 25.2% of the net proceeds will be used for financing the working capital requirement and upfront costs at the early stages of our projects, including the redevelopment of an outdoor activities centre at Stanley (Project D1674), the redevelopment at Sheung Wan (Project D1779), and the alteration and addition works for a commercial building at North Point (Project P00521), with an aggregate contract sum of approximately HK\$120.3 million.

During the Track Record Period, we have adopted a prudent financial management strategy to cope with the cash flow mismatch risk. For tender invitations involving surety bond requirements, if we did not have sufficient financial resources to meet such requirements after taking into account the liquidity needs of our other on-going projects, we have either (i) declined the invitations; (ii) submitted a less competitive tender price by factoring a higher profit margin in costs estimation; or (iii) negotiated with the relevant customers for a waiver of the surety bond requirement at the cost of a lower contract price or a higher percentage of retention monies being held up. Further, as the upfront costs of sizeable projects are usually higher while the cash inflows are expected to be slower, our Group would also negotiate with some of our customers for deposits to fund the sizeable projects. During the Track Record Period, as confirmed by our Directors, we did not respond to eight tender invitations with an aggregate estimated contract value of approximately HK\$1,320 million due to insufficient capital resources at the relevant time. Further, although we have successfully obtained waiver of surety bond requirement in a few projects during the Track Record Period, we had to undertake such contracts at a lower profit margin. Moreover, there is no assurance that our customers will be willing to waive the surety bond requirement or provide us with advanced deposits in the upcoming projects. Our ability to take on additional projects have thus been limited by our financial capacity. Our Directors consider that in the long run such strategy may not be sustainable and in the best interest of our Group. Notwithstanding that our cash and cash equivalents and unutilised banking facilities were approximately HK\$73.0 million and HK\$9.7 million, respectively as at 31 July 2018, financial resources from the Share Offer will strengthen our capability of undertaking larger scale projects, which are expected to have higher demand on upfront cash requirements. For further details, please refer to the paragraph headed “Reasons for the Listing” in this section. In view that (i) the increasing number and contract sum of tender or quotation we submitted in response to the invitations received from our potential customers; and (ii) the Ipsos Report shows that the outlook of

FUTURE PLANS AND USE OF PROCEEDS

Hong Kong foundation and site formation industry and general building works industry is positive, our Directors consider that if we are to expand our business and undertake more sizeable construction projects, we must equip ourselves with available financial resources. By utilising a portion of the net proceeds to finance the upfront costs of the three projects as mentioned above, we will be able to apply our internal resources to other new projects, and therefore, will enhance our capacity to take on more contracts with higher contract sum.

As (i) it is common for our projects to incur upfront costs and expenses for our suppliers and subcontractors before substantial value of work is certified by our customers. Our customers generally make the first payment to us around two to three months after we incur initial cash outlay at early stage of a project; (ii) the cash inflows of the sizeable projects which are of usually longer contract period are expected to be slower; (iii) it is common that the main contractor is required to take out surety bonds in the amount equal to a certain percentage (usually 10%) of the contract sum to the customers to ensure the contractor's due performance and observance of the contract, and the surety bonds are generally released only after the contract is practically completed. For the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, we took out surety bonds of approximately HK\$15.5 million, HK\$20.2 million, HK\$0.4 million and HK\$0.3 million, respectively; and (iv) without additional funding, our capacity to undertake extra projects would be constrained by our sizeable projects on hand, our Group intends to utilise the net proceeds from the Share Offer to finance the upfront costs of the three projects as mentioned above, and apply internal resources to fulfil the operating cost of our on-going projects and other new projects to be awarded. Effectively, our Group's capacity will be increased as new capital is entering, which allows our Group to undertake more new projects concurrently.

Based on the current expected construction plan and the tenders submitted, the three projects are expected to commence works in or around July to September 2018 and we currently expect to apply the net proceeds to finance the projects by November 2018, including approximately HK\$4.6 million to meet the surety bond requirements and approximately HK\$19.1 million for other upfront costs including construction materials, subcontracting charges, insurance costs, and other sundry site expenses.

Since 1 October 2017 and up to the Latest Practicable Date, we have submitted 156 tenders or quotations, out of which we are still awaiting results for 54 tenders or quotations with an aggregate contract sum of over HK\$492 million and we expect the contract award results will be available by November 2018. According to the tender or quotation information, those 54 awaiting-result projects involve surety bond requirement of approximately HK\$28.5 million. To the best knowledge of our Directors, based on our experience in projects of similar scale and nature, and quotations obtained from relevant suppliers and subcontractors, it is estimated that the upfront costs would range from approximately 10% to 15% of the contract sum of the tendered projects. Our Directors are confident about the outcome of six of the projects which we are bidding as a main contractor that are

FUTURE PLANS AND USE OF PROCEEDS

pending results taking into account (i) our competitive tenders or quotations submitted; and (ii) the latest negotiation with the potential customers. Based on the tenders or quotations submitted, the estimated upfront costs and the surety bond requirement of the abovementioned six projects which are expected to be awarded are approximately HK\$33.5 million and HK\$11.4 million, respectively.

If there is any material delay in the Listing schedule such that we may not be able to receive the estimated net proceeds from the Share Offer by October 2018, being the estimated latest time when the funding shall be deployed without affecting the projects schedule, our Group may apply a combination of debt financing and our internal resources to fund the aforesaid projects' initial cost and operating cost. As contingency financing measures, our Group may (i) utilise our available banking facilities of approximately HK\$9.7 million; (ii) obtain additional borrowings of up to approximately HK\$10.0 million from a new banking facility to be provided by one of our principal bankers based on the proposal and indicative term sheet from the banker; and (iii) apply approximately HK\$4.0 million of our internal working capital to fund the projects.

- Approximately HK\$15.1 million, or 16.1% of the net proceeds will be used for further strengthening our manpower. In our construction projects, as we mainly focus on the overall management of the projects, it is crucial for our Group to have adequate personnel with appropriate knowledge, qualification and experience to oversee the daily operations of our projects as well to ensure our work done meets our quality standards and the relevant contract requirements. In complementary with our planned machinery acquisition, our Directors believe that it would also be beneficial for our Group to hire an additional mechanical fitter to look after our machinery. With additional project management, operational and support staff, we will be able to undertake more sizeable projects without jeopardising our capability to provide quality project management and supervision services for our customers. The following table sets out a breakdown of additional staff that we plan to employ in the current and next two financial years:

Additional staff to be employed	Number of additional staff to be employed	Amount allocated for recruiting and retaining the additional staff <i>HK\$'000</i>
Project manager and engineer	4	6,075
Quantity surveyor	2	2,965
Safety officer	1	1,705
Site foreman	2	2,845
Mechanical fitter	1	1,472
Total	10	15,062

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$3.0 million, or approximately 3.2% of the net proceeds will be used for the investment in the new information system to enhance our operational efficiency. We intend to fulfil the above by implementing an enterprise resources planning system which is planned to be implemented across our organisation by phases and involve both hardware and software upgrade. Firstly, our Directors plan to upgrade the existing accounting system to enhance documentation and manual procedures. Secondly, our human resources management system is targeted for optimisation, which aims at consolidating and automating attendance, payrolls and retirement fund contribution. Finally, the implementation of the engineering and design system aims at facilitating the planning, designing, and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management; and

- Approximately HK\$9.4 million, or 10.0% of the net proceeds will be used as our Group's general working capital.

Our Directors are of the view that the strengthening of our financial resources, the strengthening of manpower and the acquisition of machinery would give our Group a higher capacity and flexibility in undertaking more sizeable projects. Such capacity expansion would also enable our Group to place less reliance on our subcontractors and machinery rental providers in assisting us to manage our projects and providing us with the required machinery (as the case may be), and save costs of subcontracting charges and machinery leasing expenses. The net cost savings by using our owned machinery (estimated cost reduction from subcontracting charges and machinery rental expenses less additional depreciation) are estimated to be approximately HK\$1.9 million and HK\$2.1 million for the years ending 30 September 2019 and 2020, respectively, generating an estimated improvement of gross margin by approximately 0.5% for the same periods, respectively.

In view of the above, our Directors believe that our business strategies and the future plans are reasonable and appropriate, having considered (i) the additional licences obtained and the expanded capacity as mentioned above would enable our Group to expand our business and capture the growing business opportunities; (ii) the forecast industry growth as provided in the Ipsos Report; and (iii) the estimated net cost savings on subcontracting charges and machinery rental expenses contributed by the acquisition of the additional machinery and recruitment of the new staff could enhance our Group's profitability.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.675 per Offer Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$4.6 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.625 per Offer Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$4.6 million.

FUTURE PLANS AND USE OF PROCEEDS

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.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as described above.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 30 September 2021, and the respective scheduled completion time are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions of the business plans” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the time frame and that our future plans will be accomplished at all.

From the Latest Practicable Date to 31 March 2019

Business strategy	Implementation activities	Source of funds
Apply for additional licences	Acquire one set of bored piling machine, one set of rock-socket piling machine and an air compressor; and maintain the newly acquired machinery to fulfill plant requirements of the licences	To be funded by net proceeds of the Share Offer of approximately HK\$15.8 million
	Acquire a piece of land for machinery storage	To be funded by net proceeds of the Share Offer of approximately HK\$15.0 million as 70% downpayment, with remaining 30% financed by mortgage loan of 5 years
	Increase the employed capital of Po Shing Construction and Fong On Construction	To be funded by net proceeds of the Share Offer of approximately HK\$3.8 million
Fund the initial costs of our construction projects	Finance the working capital requirement and upfront costs for three of our projects	To be funded by net proceeds of the Share Offer of approximately HK\$23.7 million

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Implementation activities	Source of funds
Strengthening our manpower	Recruit one project manager, one project engineer, one quantity surveyor, one safety officer, one site foreman and one mechanical fitter	To be funded by net proceeds of the Share Offer of approximately HK\$1.7 million
Investment in the new information system	Upgrade our existing hardware and acquire new computer facilities	To be funded by net proceeds of the Share Offer of approximately HK\$0.5 million
		<hr/> Subtotal: HK\$60.5 million

From 1 April 2019 to 30 September 2019

Business strategy	Implementation activities	Source of funds
Apply for additional licences	Acquire two sets of mini-piling machine and an air compressor; and maintain the newly acquired machinery to fulfill plant requirements of the licences	To be funded by net proceeds of the Share Offer of approximately HK\$5.2 million
Strengthening our manpower	Recruit one project manager, one project engineer, one quantity surveyor, one site foreman and retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.5 million
Investment in the new information system	Upgrade our accounting system to enhance documentation and manual procedures and upgrade our human resources management system to consolidate and automate attendance, payrolls and retirement fund contribution	To be funded by net proceeds of the Share Offer of approximately HK\$1.2 million
		<hr/> Subtotal: HK\$8.9 million

FUTURE PLANS AND USE OF PROCEEDS

From 1 October 2019 to 31 March 2020

Business strategy	Implementation activities	Source of funds
Apply for additional licences	Acquire two air compressors; and maintain the newly acquired machinery	To be funded by net proceeds of the Share Offer of approximately HK\$2.0 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.6 million
Investment in the new information system	Upgrade our engineering and design system to facilitate the planning, designing, and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management	To be funded by net proceeds of the Share Offer of approximately HK\$1.3 million
		<hr/> Subtotal: HK\$5.9 million

From 1 April 2020 to 30 September 2020

Business strategy	Implementation activities	Source of funds
Apply for additional licences	Maintain the newly acquired machinery	To be funded by net proceeds of the Share Offer of approximately HK\$0.3 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.6 million
		<hr/> Subtotal: HK\$2.9 million

FUTURE PLANS AND USE OF PROCEEDS

From 1 October 2020 to 31 March 2021

Business strategy	Implementation activities	Source of funds
Apply for additional licences	Maintain the newly acquired machinery	To be funded by net proceeds of the Share Offer of approximately HK\$0.3 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.8 million
		<hr/> Subtotal: HK\$3.1 million

From 1 April 2021 to 30 September 2021

Business strategy	Implementation activities	Source of funds
Apply for additional licences	Maintain the newly acquired machinery	To be funded by net proceeds of the Share Offer of approximately HK\$0.4 million
Strengthening our manpower	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$2.9 million
		<hr/> Subtotal: HK\$3.3 million
		<hr/> Total: HK\$84.6 million <hr/>

BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLANS

Our business objective and strategies are based on the following bases and assumptions:

- there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong where any members of our Group carries on or will carry on business and provides or will provide our services;
- there will be no material changes in the bases or rates of taxation in Hong Kong or in any places where any members of our Group operates or is incorporated;

FUTURE PLANS AND USE OF PROCEEDS

- the Share Offer will be completed in accordance with the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- we will be able to retain the key staff in the management and the professional team;
- we will have sufficient financial resources to meet the planned capital expenditures and business development requirements during the period to which the business objective relates;
- our Group is not materially and adversely affected by any risk factor set out in the section headed “Risk Factors” of this prospectus;
- there are no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on our Group’s business and operating activities; and
- we will be able to continue our operation in substantially the same way as we have been operating and we will also be able to carry out our development plans without disruption.

REASONS FOR THE LISTING

Our Directors consider that the Listing will benefit our Group in different levels, both internal and external as discussed below:

(i) Accelerate the implementation of our business strategies

Our Directors believe that the Listing will facilitate the implementation of our business strategies. As stated in the section headed “Business – Business strategies” in this prospectus, we intend to achieve our business objective to strengthen our market position and expand our market share in the foundation and site formation industry and general building works industry by applying for additional licences and expanding our construction services in the public sector, establishing a stronger machinery fleet, strengthening our financial capacity, and further strengthening our manpower such that we would be able to expand our market share and capture more sizeable projects. The Listing grants our Group access to larger investor base and additional fund-raising avenue where we can promptly raise new capital from time to time, and accelerates us to achieve our business objective.

Further, upon the acquisition of the relevant machinery and the increase in our capital, our Group will be qualified to be admitted as approved contractor on the Group II Approved Specialist Contractors List in the Land Piling category for large diameter bored pile and rock-socketed steel H-pile in the pre-bored hole, whereby we will then be able to expand our business and tender for public sector foundation projects for the relevant piling works as main contractor. Our Group will continue to apply for further qualifications when we meet the respective work experience for building works and mini-pile works in August 2019 and December 2019. For details, please refer to the

FUTURE PLANS AND USE OF PROCEEDS

section headed “Business – Business strategies” in this prospectus. Having considered the above and the considerable business opportunities we have with reference to the Ipsos Report and the tender or quotation invitations we have received, our Directors are of the view that we have imminent funding needs for our business expansion.

Our Directors are also of the view that our Group needs to raise additional funding to facilitate the successful implementation of our business strategies instead of relying on our current available cash resources and our operating cash flows, having considered the followings:

(a) Our current available cash resources

As at 31 March 2018, our cash and cash equivalents and our unutilised banking facilities were approximately HK\$74.1 million and HK\$9.7 million, respectively. Out of our available cash resources, approximately HK\$23.3 million was an advanced payment from our customer for a school redevelopment in Kowloon (Project 1506) and shall only be applied to fund Project 1506 works. In addition, we had to maintain sufficient cash resources to fulfil the minimum working capital requirements of Po Shing Construction and Fong On Construction for retention on the Approved Public Works Contractors List and Approved Specialist Contractors List, respectively, which amount to 15% of the combined annual value of uncompleted works of the outstanding contracts. Based on the estimated annual value of our current projects on hand and the expected tenders or quotations to be awarded, the minimum working capital requirements of our Group for admission and retention on the Approved Public Works Contractors List and the Approved Specialist List are estimated to be approximately HK\$107.0 million. Having considered that the estimated working capital requirements are higher than our working capital of approximately HK\$102.8 million as at 31 July 2018, our Directors consider that our Group is not able to fulfill the minimum capital requirements by relying only on our internal resources and there are funding needs to facilitate the implementation of our business strategies and expansion.

Further, from a prudent financial management perspective, our Directors consider that our Group should always maintain adequate cash resources for meeting our liquidity needs in case of any unforeseen circumstances. For instance, as at 31 March 2018, we had trade payables of approximately HK\$28.4 million. There can be no assurance that we will receive payments from our customers before we are required to pay our suppliers and subcontractors. Moreover, other risks set out in the section headed “Risk Factors” in this prospectus may also lead to increased liquidity needs and/or needs for the use of immediately available cash, such as customers’ defaults on payments, unsatisfactory performance of subcontractors, litigation, claims etc. To the best knowledge of our Directors, based on our historical records, for the present scale of our operation, it is estimated that the minimum amount of funds required for maintaining our Group’s operations is approximately three months of our operating expenses, which is

FUTURE PLANS AND USE OF PROCEEDS

approximately HK\$91.5 million. In view of the cash outflow exposure, our Directors consider that the current financial resources available to our Group are only sufficient to meet the requirements of our present scale of operation.

Having considered the above, our Directors consider that if we pursue our business strategies by fully utilising our current available cash resources without raising additional funding, it could lead to a significantly higher liquidity risk in case of any unforeseen circumstances, and our Directors are of the view that it is in the interest of our Group to maintain sufficient cash resources to prepare for such liquidity need.

(b) Our operating cash flows

For the years ended 30 September 2015, 2016 and 2017, our net cash generated from operating activities amounted to approximately HK\$14.2 million, HK\$63.8 million and HK\$8.0 million, respectively. Although our Group was able to generate positive operating cash flows during the three years ended 30 September 2017, there is no assurance that we can continue to generate positive operating cash flows. And even though our results of operation are positive, we may record net operating cash out flow in the same financial period. For instance, during the six months ended 31 March 2018, we recorded net cash used in operating activities amounted to approximately HK\$26.1 million. Therefore, if we rely on our future operating cash flows to finance our business strategies, our Directors consider that our business strategies will be susceptible to (i) the timing when sufficient cash can be generated from our operation; (ii) the need to constantly adjust our expansion plans subject to the amount of cash to be generated from our operation; and (iii) the prolonged timing of implementation of our business strategies. Under such circumstances, our Directors are of the view that our Group will be in a passive position to grow our business and it is not in the best interest of our Group to be exposed to the aforesaid uncertainties.

(ii) Promote our corporate profile and reputation

Our Directors consider that a public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image, which may help us to further develop our customer base. We believe that by Listing we could attract potential customers which are more willing to establish business relationship with company which has a well-established internal control system. Our Directors have also taken into consideration the fact that some of our competitors in the foundation and site formation industry and the general building works industry have already been listed on the Stock Exchange. Our Directors believe that customers, suppliers and subcontractors may give preference to contractors which have a public listing status with transparent financial disclosures and regulatory supervision. Therefore, our Directors believe that a public listing status will generate reassurance among our Group's customers, suppliers and subcontractors and enhance our competitiveness in the market.

FUTURE PLANS AND USE OF PROCEEDS

(iii) Enhance our staff morale and loyalty

We believe a status of the Listing will be respected by our staff and job applicants. Our Directors consider that in choosing between a listed or private company, the Listing will offer extra job security and financial confidence. As we are operating in an industry with labour shortage problem, improving work morale of our staff is considered as one of our essential tasks to do. Our Group has been actively investing and managing our labour capital, and the Listing is considered to be our Group's and our staff's common goal.

(iv) Advantages of equity financing over debt financing

In choosing between debt financing and equity financing, our Directors noted that theoretically, cost of debt is generally lower than cost of equity, but equity financing provides non-financial benefits which debt financing cannot provide, including (i) the nature of construction industry in which our Group operates, where upfront cash outflow is often incurred in the early phase of our project. The early cash outflow is also expected to take place quickly after our customer has engaged us, which would mean equity financing is a more appropriate source since funds raised from the issue of equity are a committed source of fund and does not entail a maturity date; (ii) debt financing from banks or financial institutions normally require the pledge of properties or other significant assets which our Group currently lacks, or require personal guarantee from our Controlling Shareholders which may result in us placing reliance on our Controlling Shareholders; (iii) debt financing and equity financing are not mutually exclusive, but our Group is expected to be in a better position to negotiate with banks and financial institutions for more favourable terms such as higher amount of credit facility and lower interest rate if we are a listed company with enlarged equity and financial capital base; (iv) our Directors believe that customers, suppliers and subcontractors may give preference to contractors with a public listing status given their perceived reputation, the additional transparency afforded by the publicly available financial disclosures and regulatory supervision by the Hong Kong regulatory bodies and thus it is of crucial importance to our Group to achieve such listing status in order to enhance our competitiveness to compete with other contractors listed on the Stock Exchange; and (v) the Listing will enable our Group to be accessible to a wider investor base and additional fund-raising avenues, which can enhance our competitiveness for future business development. Therefore, notwithstanding that our Group did not have a material amount of borrowings during the Track Record Period and up to the Latest Practicable Date, our Directors consider that the above intangible benefits brought by the Listing and equity financing would justify the costs and uncertainties involved in the listing application, and prefer to pursue equity financing to implement our business strategies.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Bookrunner and Lead Manager

Frontpage Capital Limited

Co-Managers

China Industrial Securities International Capital Limited
Valuable Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Lead Manager, the Bookrunner, the Co-Managers and the Public Offer Underwriters have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and us agreeing to the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Public Offer Shares which are being offered but not taken up under the Public Offer on the terms and subject to the conditions of the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst other things, the Placing Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Lead Manager (for itself and on behalf of the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, the BVI and the Cayman Islands comes into force, or there is any change in the existing law or regulation in Hong Kong, the BVI and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI and the Cayman Islands; or

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- (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or
- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii) and (iii) above and (v) below, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, the BVI, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in this prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xii) a prohibition on our Company for whatever reason from allotting and/or offering the Shares pursuant to the terms of the Share Offer; or
- (xiii) a petition is presented or an order is made 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

UNDERWRITING

arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group,

which in the sole and reasonable opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

- (b) any of the Lead Manager (for itself and on behalf of the Public Offer Underwriters), the Sponsor or any of the Public Offer Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) there has occurred any breach which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Lead Manager, the Bookrunner, the Sponsor and/or any of the Public Offer Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing,

then and in any such case, the Lead Manager (for itself and on behalf of the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

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Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), he/it shall not dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests, or encumbrances in respect of, any of our Shares in respect of which he/it are shown in this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), he/it shall not dispose of, nor enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of, any of the Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, inform our Company immediately thereafter in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERWRITING

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken to the Sponsor, the Lead Manager, the Bookrunner and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has respectively undertaken to the Sponsor, the Lead Manager, the Bookrunner, the Public Offer Underwriters and our Company that:

- (a) during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sponsor and the Lead Manager or otherwise in compliance with the requirements of the Listing Rules:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the Listing Rules) during the Second Six-month Period commencing on the expiry of the First Six-month Period set out in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

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Each of our Controlling Shareholders undertakes to the Sponsor, the Lead Manager, the Bookrunner, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he/it shall:

- (a) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Lead Manager in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/it will be disposed of, immediately inform our Company, the Sponsor and the Lead Manager in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, our Company, our executive Directors and our Controlling Shareholders expect to enter into the Placing Underwriting Agreement with the Sponsor, the Lead Manager, the Bookrunner and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 180,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above.

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Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 8.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fees.

In connection with the Listing and the Share Offer, the total expenses (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Share Offer) are estimated to be approximately HK\$36.0 million (assuming that the underwriting commission is calculated with reference to the mid-point of the indicative offer price range of HK\$0.625 to HK\$0.675 per Offer Share) which shall be solely borne by our Company.

Our Company and our Controlling Shareholders have agreed to indemnify the Lead Manager and the Underwriters for certain losses which they may suffer, including losses incurred arising from the performance of their obligations under the Underwriting Agreements, and any breach by our Company or our Controlling Shareholders of the Underwriting Agreements.

INDEPENDENCE OF THE SPONSOR

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Sponsor's, Lead Manager's and Underwriters' interest in our Company

The Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the first full financial year after the Listing Date, and our Company will pay to the Sponsor an agreed fee for its provision of services as required under the Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligation under the Underwriting Agreements.

UNDERWRITING

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sponsor in respect of the Share Offer, none of the Sponsor, the Lead Manager and the Underwriters or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 20,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 180,000,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” and “The Placing – Reallocation” below.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong, representing 10% of the Offer Shares initially available under the Share Offer. The Public Offer Shares are fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.675 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5.0 million or less.
- (ii) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5.0 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 10,000,000 Offer Shares (being 50% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 60,000,000 Offer Shares (in the case of (i)), 80,000,000 Offer Shares (in the case of (ii)) and 100,000,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced in such manner as the Lead Manager deems appropriate. If the Public Offer Shares are not fully subscribed for, the Lead Manager has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Lead Manager deems appropriate. If the Public Offer is not fully subscribed, the Lead Manager will have the discretion to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If (i) the Placing Shares are fully subscribed or oversubscribed, and if the number of Public Offer Shares validly applied for under the Public Offer represents 100% or more, but less than 15 times, of the number of Public Offer Shares initially available under the Public Offer; or (ii) the Placing Shares are not fully subscribed, and if the number of Public Offer Shares validly applied for under the Public Offer represents 100% or more of the number of Public Offer Shares initially available under the Public Offer, the Lead Manager may, at its discretion, reallocate the Placing Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the total number of Public Offer Shares available under the Public Offer shall not be increased to more than 40,000,000 Shares, representing double the number of Public Offer Shares initially available under the Public Offer and 20% of the total number of Offer Shares initially available. In the event of reallocation of the Offer Shares between the Public Offer and the Placing in the circumstances as stated in (i) or (ii) above, the final offer price will be fixed at HK\$0.625, being the bottom end of the indicative offer price range.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares initially offered

Our Company is expected to offer initially 180,000,000 Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares initially available under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company 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, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Offer Shares after the listing of the Shares on the Stock Exchange.

Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

The Lead Manager (for itself 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 Lead Manager so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement or the reallocation of the Offer Shares between the Public Offer and the Placing described in the paragraph headed “The Public Offer – Reallocation” above.

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, 8 October 2018 and in any event on or before Friday, 12 October 2018, by agreement between the Lead Manager (for itself 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\$0.675 per Offer Share and is expected to be not less than HK\$0.625 per Offer Share, unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.675 for each Public Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$2,727.21 for each board lot of 4,000 Shares. If the Offer Price is less than HK\$0.675, appropriate refund payments (including the brokerage fee, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Lead Manager (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, 12 October 2018, the Share Offer will not proceed and will lapse.

Reduction to the indicative offer price range and/or number of Offer Shares

The Lead Manager (for itself and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares initially offered in the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer. In such a case, we will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.shingchiholdings.com notices of such change. In addition, we will:

- i) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;
- ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice and supplemental prospectus, 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 Lead Manager (for itself and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information in this prospectus which may change materially as a result of such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Lead Manager (for itself 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.

In the event of a reduction in the number of Offer Shares, the Lead Manager 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 Lead Manager.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Placing, the level of application in the Public Offer and the basis of allotment of the Public Offer Shares are expected to be announced on Monday, 15 October 2018 on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.shingchiholdings.com.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** Application Form or **HK eIPO White Form**, **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section “How to Apply for the Public Offer Shares – 11. Publication of results” in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Lead Manager (for itself and on behalf of the Underwriters) on or before Friday, 12 October 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 on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.shingchiholdings.com on the next Business Day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 15 October 2018, and will only become valid at 8:00 a.m. on Tuesday, 16 October 2018, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.

ADMISSION OF THE SHARES INTO CCASS

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

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

STRUCTURE AND CONDITIONS OF 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. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 16 October 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 16 October 2018.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares will be 1741.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Lead Manager may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk under the **HK eIPO White Form** service.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Friday, 5 October 2018 from:

- (a) any of the following offices of the Public Offer Underwriters:

Name	Address
Frontpage Capital Limited	26th Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
China Industrial Securities International Capital Limited	7th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong
Valuable Capital Limited	Room 2815, 28th Floor China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong

- (b) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East Wan Chai Hong Kong
Kowloon	Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre Chuk Yuen South Estate Kowloon
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F Fortune City One Plus No. 2 Ngan Shing Street Sha Tin New Territories
	Citywalk Branch	Shop 65 & 67-69, G/F Citywalk, 1 Yeung Uk Road Tsuen Wan New Territories

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Friday, 5 October 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SHING CHI HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 28 September 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 29 September 2018 – 9:00 a.m. to 1:00 p.m.
Tuesday, 2 October 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 3 October 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 4 October 2018 – 9:00 a.m. to 5:00 p.m.
Friday, 5 October 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 October 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and the Lead Manager (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Bookrunner, the Lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, the Sponsor and the Lead Manager, any of their respective directors, offices or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section above, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 September 2018 until 11:30 a.m. on Friday, 5 October 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 October 2018 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Lead Manager and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **YELLOW** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **YELLOW** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Sponsor and the Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;

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- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 28 September 2018 – 9:00 a.m. to 8:30 p.m.
Saturday, 29 September 2018 – 8:00 a.m. to 1:00 p.m.
Tuesday, 2 October 2018 – 8:00 a.m. to 8:30 p.m.
Wednesday, 3 October 2018 – 8:00 a.m. to 8:30 p.m.
Thursday, 4 October 2018 – 8:00 a.m. to 8:30 p.m.
Friday, 5 October 2018 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Friday, 5 October 2018 (24 hours daily, except on Friday, 5 October 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 October 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section below.

The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 October 2018.

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8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for the 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.

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You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 October 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, 5 October 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Monday, 15 October 2018 on our Company’s website at www.shingchiholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.shingchiholdings.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 15 October 2018;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 15 October 2018 to 12:00 midnight on Sunday, 21 October 2018;

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- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 15 October 2018 to Friday, 19 October 2018 (excluding Hong Kong Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 15 October 2018 to Thursday, 18 October 2018 at all the receiving bank's designated branches as set out in paragraph headed "Where to collect the Application Forms" in this section.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- Your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

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- our Company or the Lead Manager believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.675 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 15 October 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named

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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 despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 15 October 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 16 October 2018, provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 October 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, 15 October 2018, by ordinary post and at your own risk.

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(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 Monday, 15 October 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 Monday, 15 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 15 October 2018, or such other date as notified by our Company as the date of dispatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 15 October 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 15 October 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in the paragraph headed "11. Publication of results" above on Monday, 15 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 15 October 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the

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CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 15 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 15 October 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

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

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

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHING CHI HOLDINGS LIMITED AND FRONTPAGE CAPITAL LIMITED

Introduction

We report on the historical financial information of Shing Chi Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-51, which comprises the combined statements of financial position of the Group as at 30 September 2015, 2016 and 2017 and 31 March 2018, the statement of financial position of the Company as at 31 March 2018 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 September 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 presentation and preparation set out in Notes 1 and 2 of Section II 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 gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1 and 2 of Section II 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 Group’s financial position as at 30 September 2015, 2016 and 2017 and 31 March 2018, of the Company’s financial position as at 31 March 2018 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1 and 2 of Section II to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the six months ended 31 March 2017 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Notes 1 and 2 of Section II to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in

an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Notes 1 and 2 of Section II to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong, 28 September 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HK\$**") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined statements of profit or loss and other comprehensive income

	Note	Year ended 30 September			Six months ended 31 March	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	5	390,423	426,951	359,311	181,819	189,233
Cost of sales		<u>(355,513)</u>	<u>(390,797)</u>	<u>(318,351)</u>	<u>(163,172)</u>	<u>(167,182)</u>
Gross profit		34,910	36,154	40,960	18,647	22,051
Other income, gains and losses	5	4,013	208	606	186	29
Administrative and other operating expenses		<u>(10,135)</u>	<u>(11,957)</u>	<u>(12,653)</u>	<u>(6,947)</u>	<u>(18,578)</u>
Operating profit		28,788	24,405	28,913	11,886	3,502
Finance costs	6	<u>(9)</u>	<u>(6)</u>	<u>(3)</u>	<u>(2)</u>	<u>(1)</u>
Profit before income tax	7	28,779	24,399	28,910	11,884	3,501
Income tax expense	10	<u>(4,736)</u>	<u>(3,975)</u>	<u>(4,901)</u>	<u>(1,945)</u>	<u>(2,378)</u>
Profit and total comprehensive income for the year/period		<u>24,043</u>	<u>20,424</u>	<u>24,009</u>	<u>9,939</u>	<u>1,123</u>
Profit and total comprehensive income attributable to:						
Owners of the Company		23,807	20,350	23,677	9,893	930
Non-controlling interests		<u>236</u>	<u>74</u>	<u>332</u>	<u>46</u>	<u>193</u>
Profit and total comprehensive income for the year/period		<u>24,043</u>	<u>20,424</u>	<u>24,009</u>	<u>9,939</u>	<u>1,123</u>
Basic and diluted earnings per share	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined statements of financial position

		As at 30 September			As at 31
		2015	2016	2017	March
	Note	HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,140	919	927	4,008
Deferred tax assets	22	<u>31</u>	<u>318</u>	<u>16</u>	<u>25</u>
		<u>1,171</u>	<u>1,237</u>	<u>943</u>	<u>4,033</u>
Current assets					
Trade and other receivables	15	76,365	74,647	80,132	124,945
Amounts due from customers for contract work	16	35,335	27,177	22,717	30,799
Financial assets at fair value through profit or loss	17	259	288	341	365
Amounts due from related parties	18	1,261	8,578	5,848	6,112
Cash and cash equivalents	19	<u>29,791</u>	<u>94,372</u>	<u>101,248</u>	<u>74,071</u>
		<u>143,011</u>	<u>205,062</u>	<u>210,286</u>	<u>236,292</u>
Total assets		<u>144,182</u>	<u>206,299</u>	<u>211,229</u>	<u>240,325</u>
EQUITY					
Capital and reserves					
Combined capital	20	2,319	10,819	10,819	34
Reserves		<u>43,893</u>	<u>63,797</u>	<u>84,517</u>	<u>97,980</u>
		46,212	74,616	95,336	98,014
Non-controlling interests		<u>1,265</u>	<u>1,335</u>	<u>1,624</u>	<u>–</u>
Total equity		<u>47,477</u>	<u>75,951</u>	<u>96,960</u>	<u>98,014</u>

		As at 30 September			As at 31
		2015	2016	2017	March
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	21	98	37	–	–
Deferred tax liabilities	22	131	110	105	85
		<u>229</u>	<u>147</u>	<u>105</u>	<u>85</u>
Current liabilities					
Trade and other payables	23	86,515	119,151	92,314	108,381
Amounts due to customers for contract work	16	3,513	3,015	12,171	25,655
Finance lease liabilities	21	58	61	37	2,636
Amount due to a related party	18	1	1	1	1
Dividends payable		150	450	–	–
Income tax payable		6,239	7,523	9,641	5,553
		<u>96,476</u>	<u>130,201</u>	<u>114,164</u>	<u>142,226</u>
Total liabilities		<u>96,705</u>	<u>130,348</u>	<u>114,269</u>	<u>142,311</u>
Total equity and liabilities		<u>144,182</u>	<u>206,299</u>	<u>211,229</u>	<u>240,325</u>
Net current assets		<u>46,535</u>	<u>74,861</u>	<u>96,122</u>	<u>94,066</u>
Total assets less current liabilities		<u>47,706</u>	<u>76,098</u>	<u>97,065</u>	<u>98,099</u>

Statement of financial position

		As at
		31 March
		2018
	<i>Note</i>	<i>HK\$'000</i>
ASSETS		
Current assets		
Other receivables		–
		<u>–</u>
EQUITY		
Capital and reserves		
Share capital	20	–
		<u>–</u>

Combined statements of changes in equity

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Combined capital HK\$'000 (Note 20)	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 October 2014	219	–	20,236	20,455	1,029	21,484
Issue of shares of a subsidiary	2,100	–	–	2,100	–	2,100
Profit and total comprehensive income for the year	–	–	23,807	23,807	236	24,043
Dividends (Note 12)	–	–	(150)	(150)	–	(150)
Balance at 30 September 2015	<u>2,319</u>	<u>–</u>	<u>43,893</u>	<u>46,212</u>	<u>1,265</u>	<u>47,477</u>
Balance at 1 October 2015	2,319	–	43,893	46,212	1,265	47,477
Acquisition of shares of Fong On Construction Limited from Po Shing Construction Limited	8,500	–	–	8,500	–	8,500
Profit and total comprehensive income for the year	–	–	20,350	20,350	74	20,424
Dividends (Note 12)	–	–	(450)	(450)	–	(450)
Acquisition of non-controlling interests – Fong On Construction Limited (Note 28(a))	–	–	4	4	(4)	–
Balance at 30 September 2016	<u>10,819</u>	<u>–</u>	<u>63,797</u>	<u>74,616</u>	<u>1,335</u>	<u>75,951</u>
Balance at 1 October 2016	10,819	–	63,797	74,616	1,335	75,951
Profit and total comprehensive income for the year	–	–	23,677	23,677	332	24,009
Dividends (Note 12)	–	–	(3,000)	(3,000)	–	(3,000)
Acquisition of non-controlling interests – Fong On Geotechnics Limited (Note 28(b))	–	–	43	43	(43)	–
Balance at 30 September 2017	<u>10,819</u>	<u>–</u>	<u>84,517</u>	<u>95,336</u>	<u>1,624</u>	<u>96,960</u>

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Combined capital HK\$'000 (Note 20)	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 October 2017	10,819	–	84,517	95,336	1,624	96,960
Profit and total comprehensive income for the period	–	–	930	930	193	1,123
Issue of shares of subsidiaries	31	–	–	31	–	31
Acquisition of non-controlling interests – James Lau & Associates Limited (Note 28(c))	–	–	1,717	1,717	(1,817)	(100)
Arising from the Reorganisation	(10,816)	10,816	–	–	–	–
Balance at 31 March 2018	<u>34</u>	<u>10,816</u>	<u>87,164</u>	<u>98,014</u>	<u>–</u>	<u>98,014</u>
(Unaudited)						
Balance at 1 October 2016	10,819	–	63,797	74,616	1,335	75,951
Profit and total comprehensive income for the period	–	–	9,893	9,893	46	9,939
Balance at 31 March 2017	<u>10,819</u>	<u>–</u>	<u>73,690</u>	<u>84,509</u>	<u>1,381</u>	<u>85,890</u>

Note: The other reserve represents the difference between the nominal value of the shares issued by Peaceful Fluent, Precious Castle, Bright Dance and Mass Strength in exchange for the aggregate amount of the nominal value of the share capital of Fong On Construction, Fong On Geotechnics, Po Shing Construction and James Lau & Associates held by the Controlling Shareholders arising from the Reorganisation.

Combined statements of cash flows

	Note	Year ended 30 September			Six months ended 31 March	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2018 HK\$'000
(unaudited)						
Cash flow from operating activities						
Net cash generated from/(used in) operations	24	14,175	66,781	10,497	(6,282)	(19,626)
Tax paid		–	(2,999)	(2,486)	(2,486)	(6,495)
Dividend received		10	9	9	7	9
		<u>14,185</u>	<u>63,791</u>	<u>8,020</u>	<u>(8,761)</u>	<u>(26,112)</u>
Net cash generated from/(used in) operating activities						
Cash flows from investing activities						
Purchases of property, plant and equipment		(866)	(184)	(374)	(190)	(679)
Proceeds from disposal of property, plant and equipment		–	–	–	–	2
(Advances to)/repayments from related parties		(1,261)	(6,617)	2,730	(1,132)	(264)
Interest received		2	5	14	7	8
		<u>(2,125)</u>	<u>(6,796)</u>	<u>2,370</u>	<u>(1,315)</u>	<u>(933)</u>
Net cash (used in)/generated from investing activities						
Cash flows from financing activities						
Proceeds from acquisition of shares of Fong On Construction Limited from Po Shing Construction Limited		–	7,800	–	–	–
Proceeds from issue of shares of a subsidiary		2,100	–	–	–	–
Acquisition of non-controlling interests		–	–	–	–	(100)
Repayment of finance leases		(55)	(58)	(61)	(30)	(31)
Interest paid on finance leases		(9)	(6)	(3)	(2)	(1)

	Year ended 30 September			Six months ended 31 March	
	2015	2016	2017	2017	2018
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Repayments to a related party	(503)	–	–	–	–
Dividends paid	<u>(120)</u>	<u>(150)</u>	<u>(3,450)</u>	<u>–</u>	<u>–</u>
Net cash generated from/ (used in) financing activities	<u>1,413</u>	<u>7,586</u>	<u>(3,514)</u>	<u>(32)</u>	<u>(132)</u>
Net increase/(decrease) in cash and cash equivalents	13,473	64,581	6,876	(10,108)	(27,177)
Cash and cash equivalents at beginning of year/period	<u>16,318</u>	<u>29,791</u>	<u>94,372</u>	<u>94,372</u>	<u>101,248</u>
Cash and cash equivalents at end of year/period	<u><u>29,791</u></u>	<u><u>94,372</u></u>	<u><u>101,248</u></u>	<u><u>84,264</u></u>	<u><u>74,071</u></u>
Analysis of cash and cash equivalents					
Cash at banks	<i>19</i> <u><u>29,791</u></u>	<u><u>94,372</u></u>	<u><u>101,248</u></u>	<u><u>84,264</u></u>	<u><u>74,071</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 January 2018 as an exempted company with limited liability. Its parent and ultimate holding company is Elite Bright Developments Limited (“**Elite Bright**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly-owned by Dr. Lau Chi Wang (“**Dr. CW Lau**”), Mr. Lau Chi Ming (“**Mr. CM Lau**”) and Dr. Lau Chi Keung (“**Dr. CK Lau**”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in provision of foundation and site formation works, general building works and associated services, other construction works and construction related consultancy services.

Throughout the Track Record Period, the group entities were under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau (collectively referred to as the “**Controlling Shareholders**”). Through a reorganisation as more fully explained in the paragraph headed “Reorganisation” under the section headed “History, Development and Reorganisation” to the Prospectus (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 17 September 2018. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau prior to and after the Reorganisation.

The Historical Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Notes
Peaceful Fluent International Limited (“ Peaceful Fluent ”)	Limited liability company incorporated on 25 October 2017, the BVI	United States dollars (“ US\$ ”) 1,098	100% (direct)	Investment holding	1
Precious Castle Holdings Limited (“ Precious Castle ”)	Limited liability company incorporated on 25 October 2017, the BVI	US\$1,098	100% (direct)	Investment holding	1
Bright Dance Group Limited (“ Bright Dance ”)	Limited liability company incorporated on 25 October 2017, the BVI	US\$1,098	100% (direct)	Investment holding	1
Mass Strength Limited (“ Mass Strength ”)	Limited liability company incorporated on 25 October 2017, the BVI	US\$1,098	100% (direct)	Investment holding	1
Fong On Construction Limited (“ Fong On Construction ”)	Limited liability company incorporated on 18 September 1998, Hong Kong	HK\$8,600,001	100% (indirect)	Provision of construction and consultancy services	2, 4

Name of subsidiary	Legal form, date and place of incorporation/operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Notes
Fong On Geotechnics Limited ("Fong On Geotechnics")	Limited liability company incorporated on 18 September 1998, Hong Kong	HK\$100,020	100% (indirect)	Provision of construction and consultancy services	2, 4
Po Shing Construction Limited ("Po Shing Construction")	Limited liability company incorporated on 27 January 2004, Hong Kong	HK\$2,100,003	100% (indirect)	Provision of construction and consultancy services	3, 4
James Lau & Associates Limited ("James Lau & Associates")	Limited liability company incorporated on 6 October 1989, Hong Kong	HK\$18,500	100% (indirect)	Provision of construction and consultancy services	2, 4

Notes:

- 1: No audited statutory financial statements have been prepared for these subsidiaries since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.
- 2: The statutory financial statements of these subsidiaries for the year ended 30 September 2015, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA, were audited by Patrick Lai & Co., Certified Public Accountants, Hong Kong.
- 3: The statutory financial statements of this subsidiary for the year ended 30 September 2015, which were prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA, were audited by Patrick Lai & Co., Certified Public Accountants, Hong Kong.
- 4: The statutory financial statements of these subsidiaries for the years ended 30 September 2016 and 2017, which were prepared in accordance with the Hong Kong Financial Reporting Standard issued by the HKICPA, were audited by Jack C.W. Chan, Certified Public Accountants (Practising), Hong Kong.

All companies now comprising the Group have adopted 30 September as their financial year end date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

(a) Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, except for the subsequent remeasurement of financial assets at fair value through profit or loss.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers and related Amendments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

(i) HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the whole of HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial

liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on the ECL model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected loss that are estimated based on the present value of all cash shortfalls over the remaining life of its trade receivables and contract assets. Furthermore, the Group will apply the general approach to other receivables. If there has not been a significant increase in credit risk since initial recognition, the Group will record a twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. When there has been a significant increase in credit risk since initial recognition, the impairment will be based on lifetime expected credit losses.

The Group will adopt HKFRS 9 from 1 October 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 October 2018.

The Group does not expect the adoption of HKFRS 9 will have a significant impact on the classification and measurement of the financial instruments of the Group and on the Group's financial performance and financial position upon the adoption of HKFRS 9 on 1 October 2018.

(ii) HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the current accounting policies adopted by the Company, the revenue is recognised with reference to the proportion of the work performed based on the surveys of work performed to date.

In accordance with HKFRS 15, input methods recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. The timing of revenue recognition based on current accounting policies may result in different timing of revenue recognition based on

input method as mentioned in HKFRS 15 because there may not be a direct relationship between the Group's inputs and the satisfaction of the Group's performance obligation to a customer (i.e. the surveys of work performed to date by the customers and/or surveyors engaged by the customers).

On the other hand, HKFRS 15 allows adoption of output method as appropriate method of measuring progress to recognise revenue. In accordance to HKFRS 15, output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date. The timing of revenue recognition based on current accounting policies is similar to the timing of revenue recognition based on output method as mentioned in HKFRS 15. The Group will continue to adopt the output method for revenue recognition. Thus, the application of HKFRS 15 will have no material impact on the Group's consolidated financial statements in the future.

The materials consumed by the Group include concrete, steel reinforcement and H-piles, and rock fall/debris flow protection barriers. The Group did not maintain any inventory during the Track Record Period mainly because the materials were usually delivered directly to the project sites for immediate consumption on project-by-project basis. As such, the Group did not have significant amount of uninstalled materials as at the end of each reporting period. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

The Group will adopt HKFRS 15 for all uncompleted contracts as at 1 October 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the retained earnings as of 1 October 2018 and that comparatives will not be restated.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements and the timing of revenue recognition in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

(iii) HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As set out in Note 25, total operating lease commitments of the Group in respect of office premises, quarters, and office equipment as at 30 September 2015, 2016 and 2017 and 31 March 2018 amounted to approximately HK\$746,000, HK\$1,646,000, HK\$753,000 and HK\$242,000 respectively. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will adopt these new standards, amendments and interpretations in the period of initial application. Other than explained above regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group expects that the adoption of the other new or revised standards will have no significant impact on the Group's result of operations and its financial position.

(b) Consolidation and combination

The Historical Financial Information includes the financial information of the Company and all its subsidiaries made up to respective year/period end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(e) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(f) **Foreign currency translation**

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in HK\$, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(g) **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 costs are charged to profit or loss during the financial year/period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	Shorter of lease term or 20%
Motor vehicles	20%
Machinery	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(h) Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

The Group classifies its financial assets as at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from related parties" and "cash and cash equivalents" in the combined statements of financial position.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

(j) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred 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 (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(k) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(l) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in or deducted from contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

In the combined statements of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

(m) Cash and cash equivalents

In the combined statements of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(r) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(s) Revenue recognition and other income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown after eliminating sales within the Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in Note 2(l) above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

Service and agency commission income are recognised in the accounting period in which the services are rendered.

Rental income is recognised based on the straight-line basis over the lease terms.

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, price risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate finance lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the combined statements of financial position at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk from investments, the Group diversifies its portfolio.

The Group's investments are publicly traded and listed in the Stock Exchange.

(iii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from related parties and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition,

the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, the Group has concentration of credit risk as 81%, 70%, 59% and 75% of the Group's trade and retention receivables were due from the Group's five largest trade debtors, respectively. The Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivables balance due from these debtors.

(iv) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the year/period end dates during the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year/period end dates during the Track Record Period) and the earliest date the Group may be required to pay:

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
At 30 September 2015				
Trade and other payables	86,265	–	–	86,265
Amount due to a related party	1	–	–	1
Finance lease liabilities	64	63	38	165
Dividends payable	150	–	–	150
	<u>86,480</u>	<u>63</u>	<u>38</u>	<u>86,581</u>
At 30 September 2016				
Trade and other payables	76,691	–	–	76,691
Amount due to a related party	1	–	–	1
Finance lease liabilities	63	38	–	101
Dividends payable	450	–	–	450
	<u>77,205</u>	<u>38</u>	<u>–</u>	<u>77,243</u>

	On demand or within one year <i>HK\$'000</i>	Between one and two years <i>HK\$'000</i>	Between two and five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 September 2017				
Trade and other payables	58,562	–	–	58,562
Amount due to a related party	1	–	–	1
Finance lease liabilities	38	–	–	38
	<u>58,601</u>	<u>–</u>	<u>–</u>	<u>58,601</u>
At 31 March 2018				
Trade and other payables	84,800	–	–	84,800
Amount due to a related party	1	–	–	1
Finance lease liabilities	2,795	–	–	2,795
	<u>87,596</u>	<u>–</u>	<u>–</u>	<u>87,596</u>

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

The gearing ratios during the Track Record Period are as follows:

	As at 30 September			As at 31
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	March 2018 <i>HK\$'000</i>
Finance lease liabilities (Note 21)	156	98	37	2,636
Total equity	<u>47,477</u>	<u>75,951</u>	<u>96,960</u>	<u>98,014</u>
Gearing ratio	<u>0.33%</u>	<u>0.13%</u>	<u>0.04%</u>	<u>2.69%</u>

(c) Fair value estimation

The below analyses the Group's financial instruments carried at fair value as at 30 September 2015, 2016 and 2017 and 31 March 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 30 September 2015, 2016 and 2017 and 31 March 2018, financial assets at fair value through profit or loss held by the Group are measured at level 1.

There were no transfers between levels during the Track Record Period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent investments listed in Hong Kong stock market.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Construction contracts

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period and actual cost or revenue may be higher or lower than estimated at the end of the reporting period, which could affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue and other income, gains and losses recognised during the Track Record Period are as follows:

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Revenue					
Foundation and site formation works	148,981	252,447	131,784	81,605	63,902
General building works and associated services	186,494	137,488	172,538	74,389	79,664
Other construction works	44,622	25,313	40,647	20,185	40,631
Construction related consultancy services	10,326	11,703	14,342	5,640	5,036
	<u>390,423</u>	<u>426,951</u>	<u>359,311</u>	<u>181,819</u>	<u>189,233</u>
Other income, gains and losses					
Rental income	78	87	100	50	8
Bank interest income	2	5	14	7	8
Gain/(loss) on disposal of property, plant and equipment	–	–	84	84	(27)
Dividend income from financial assets at fair value through profit or loss	10	9	9	7	9
Fair value change on financial assets at fair value through profit or loss	(26)	29	53	5	24
Agency commission income	3,948	22	–	–	–
Others	1	56	346	33	7
	<u>4,013</u>	<u>208</u>	<u>606</u>	<u>186</u>	<u>29</u>

Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (a) Foundation and site formation works;
- (b) General building works and associated services;
- (c) Other construction works; and
- (d) Construction related consultancy services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and profit

Year ended 30 September 2015

	Foundation and site formation works	General building works and associated services	Other construction works	Construction related consultancy services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>148,981</u>	<u>186,494</u>	<u>44,622</u>	<u>10,326</u>	<u>390,423</u>
Segment results	<u>8,486</u>	<u>13,725</u>	<u>7,388</u>	<u>5,311</u>	34,910
Other income, gains and losses					4,013
Administrative and other operating expenses					(10,135)
Finance costs					<u>(9)</u>
Profit before income tax					<u>28,779</u>

Year ended 30 September 2016

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>252,447</u>	<u>137,488</u>	<u>25,313</u>	<u>11,703</u>	<u>426,951</u>
Segment results	<u>13,038</u>	<u>11,456</u>	<u>5,910</u>	<u>5,750</u>	36,154
Other income, gains and losses					208
Administrative and other operating expenses					(11,957)
Finance costs					<u>(6)</u>
Profit before income tax					<u>24,399</u>

Year ended 30 September 2017

	Foundation and site formation works <i>HK\$'000</i>	General building works and associated services <i>HK\$'000</i>	Other construction works <i>HK\$'000</i>	Construction related consultancy services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>131,784</u>	<u>172,538</u>	<u>40,647</u>	<u>14,342</u>	<u>359,311</u>
Segment results	<u>13,282</u>	<u>9,873</u>	<u>9,348</u>	<u>8,457</u>	40,960
Other income, gains and losses					606
Administrative and other operating expenses					(12,653)
Finance costs					<u>(3)</u>
Profit before income tax					<u>28,910</u>

Six months ended 31 March 2017
(unaudited)

	Foundation and site formation works	General building works and associated services	Other construction works	Construction related consultancy services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>81,605</u>	<u>74,389</u>	<u>20,185</u>	<u>5,640</u>	<u>181,819</u>
Segment results	<u>6,548</u>	<u>5,046</u>	<u>4,344</u>	<u>2,709</u>	18,647
Other income, gains and losses					186
Administrative and other operating expenses					(6,947)
Finance costs					<u>(2)</u>
Profit before income tax					<u>11,884</u>

Six months ended 31 March 2018

	Foundation and site formation works	General building works and associated services	Other construction works	Construction related consultancy services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>63,902</u>	<u>79,664</u>	<u>40,631</u>	<u>5,036</u>	<u>189,233</u>
Segment results	<u>9,760</u>	<u>8,028</u>	<u>2,432</u>	<u>1,831</u>	22,051
Other income, gains and losses					29
Administrative and other operating expenses					(18,578)
Finance costs					<u>(1)</u>
Profit before income tax					<u>3,501</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results mainly represented profit earned by each segment, excluding other income, gains and losses, administrative and other operating expenses, finance costs and income tax expenses.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of the projects and all of the Group's non-current assets are located in Hong Kong by physical location of assets.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Customer A ²	91,326	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Customer B ^{2 and 3}	63,336	141,001	140,863	56,373	N/A ¹
Customer C ³	60,443	53,896	36,500	31,310	N/A ¹
Customer D ²	47,225	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Customer E ^{2 and 3}	N/A ¹	N/A ¹	51,244	18,792	69,764
Customer F ²	N/A ¹	N/A ¹	N/A ¹	N/A ¹	51,348
Customer G ⁴	N/A ¹	N/A ¹	N/A ¹	N/A ¹	23,229

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective year/period.

² Revenue from general building works and associated services.

³ Revenue from foundation and site formation works.

⁴ Revenue from other construction works.

6 FINANCE COSTS

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Interest on finance lease	9	6	3	2	1

7 PROFIT BEFORE INCOME TAX

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Profit before income tax has been arrived at after charging:					
Depreciation	285	405	450	212	199
Operating lease payments	992	1,087	1,197	606	521
Auditors' remuneration	32	33	35	17	18
Employee benefit expenses, including directors' emoluments (Note 8)	21,245	28,564	26,917	15,205	9,668
Provision for impairment on trade receivables	83	214	571	540	58
Listing expenses	–	–	1,375	–	10,916

8 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Salaries and other benefits	14,554	22,584	23,863	14,961	10,888
Discretionary bonuses	4,572	6,571	1,347	1,347	1,583
Retirement benefit scheme contributions	452	728	747	452	358
	19,578	29,883	25,957	16,760	12,829
Add/(less): Amount included in amounts due from/to customers for contract work	1,667	(1,319)	960	(1,555)	(3,161)
	<u>21,245</u>	<u>28,564</u>	<u>26,917</u>	<u>15,205</u>	<u>9,668</u>

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund (“MPF”) Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

9 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the Track Record Period is set out below:

	Fee <i>HK\$'000</i>	Salaries, and other benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 September 2015					
<i>Executive directors</i>					
Dr. CW Lau	–	1,200	300	–	1,500
Mr. CM Lau	–	1,411	300	18	1,729
Dr. CK Lau	–	1,425	300	18	1,743
	–	4,036	900	36	4,972
Year ended 30 September 2016					
<i>Executive directors</i>					
Dr. CW Lau	–	1,752	416	–	2,168
Mr. CM Lau	–	1,494	443	18	1,955
Dr. CK Lau	–	1,496	441	18	1,955
	–	4,742	1,300	36	6,078
Year ended 30 September 2017					
<i>Executive directors</i>					
Dr. CW Lau	–	1,525	–	–	1,525
Mr. CM Lau	–	1,370	–	18	1,388
Dr. CK Lau	–	1,359	–	18	1,377
	–	4,254	–	36	4,290
Six months ended 31 March 2017 (unaudited)					
<i>Executive directors</i>					
Dr. CW Lau	–	1,047	–	–	1,047
Mr. CM Lau	–	901	–	9	910
Dr. CK Lau	–	827	–	9	836
	–	2,775	–	18	2,793
Six months ended 31 March 2018					
<i>Executive directors</i>					
Dr. CW Lau	–	955	–	–	955
Mr. CM Lau	–	925	–	9	934
Dr. CK Lau	–	920	–	9	929
	–	2,800	–	18	2,818

Dr. CW Lau, Mr. CM Lau and Dr. CK Lau were appointed as directors of the Company on 3 January 2018 and re-designated as executive directors on 12 February 2018. Dr. CK Lau was also re-designated as the chief executive officer of the Company on 12 February 2018. They were also directors of certain subsidiaries of the Company during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees before their appointment as directors of the Company.

Mr. Pang Ka Hang, Mr. Wong Chun Nam and Mr. Leung Bing Kwong Edward were appointed as independent non-executive directors of the Company on 17 September 2018. During the Track Record Period, they have not yet been appointed and did not receive any remuneration.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three of them are directors for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2017 (unaudited) and 2018 whose emoluments are disclosed above. The emoluments in respect of the remaining two individuals are as follows:

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Salaries and allowances	1,311	2,034	1,498	737	776
Discretionary bonuses	2,735	3,377	241	241	227
Retirement benefit scheme contributions	36	36	36	18	18
	<u>4,082</u>	<u>5,447</u>	<u>1,775</u>	<u>996</u>	<u>1,021</u>

The emoluments fell within the following bands:

Emolument bands (in HK\$)	Number of individuals			Six months ended 31 March	
	Year ended 30 September 2015	2016	2017	2017 (unaudited)	2018
Nil – HK\$1,000,000	1	–	1	2	2
HK\$1,000,001 – HK\$1,500,000	–	1	1	–	–
HK\$3,000,001 – HK\$3,500,000	1	–	–	–	–
HK\$4,000,001 – HK\$4,500,000	–	1	–	–	–
	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Hong Kong profits tax					
Current income tax	4,546	4,283	4,604	1,646	2,407
Deferred income tax (Note 22)	190	(308)	297	299	(29)
Income tax expense	<u>4,736</u>	<u>3,975</u>	<u>4,901</u>	<u>1,945</u>	<u>2,378</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Profit before income tax	<u>28,779</u>	<u>24,399</u>	<u>28,910</u>	<u>11,884</u>	<u>3,501</u>
Calculated at Hong Kong profits tax rate of 16.5%	4,749	4,026	4,770	1,961	578
Expenses not deductible for tax purpose	44	12	228	–	1,802
Income not subject to tax	(2)	(2)	(18)	(16)	(2)
Others	(55)	(61)	(79)	–	–
Income tax expense	<u>4,736</u>	<u>3,975</u>	<u>4,901</u>	<u>1,945</u>	<u>2,378</u>

11 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 on a combined basis as disclosed in Note 1 above.

12 DIVIDENDS

During the year ended 30 September 2015, Po Shing Construction declared a dividend of HK\$150,000 to its then shareholders. The dividend was paid during the year ended 30 September 2016.

During the year ended 30 September 2016, Po Shing Construction and Fong On Construction declared dividends of HK\$150,000 and HK\$300,000 respectively, to their then shareholders. The dividends were paid during the year ended 30 September 2017.

During the year ended 30 September 2017, Po Shing Construction, Fong On Construction and Fong On Geotechnics declared and paid dividends of HK\$1,200,000, HK\$1,200,000 and HK\$600,000 respectively, to their then shareholders.

No dividends have been paid or declared by the Company since its incorporation.

13 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 October 2014	711	2,575	–	2,204	–	5,490
Additions	59	398	93	316	–	866
Disposals	(169)	(2,083)	–	–	–	(2,252)
At 30 September 2015	601	890	93	2,520	–	4,104
Accumulated depreciation						
At 1 October 2014	708	2,486	–	1,737	–	4,931
Charge for the year	6	75	4	200	–	285
Disposals	(169)	(2,083)	–	–	–	(2,252)
At 30 September 2015	545	478	4	1,937	–	2,964
Net book value						
At 30 September 2015	<u>56</u>	<u>412</u>	<u>89</u>	<u>583</u>	<u>–</u>	<u>1,140</u>
Cost						
At 1 October 2015	601	890	93	2,520	–	4,104
Additions	11	173	–	–	–	184
At 30 September 2016	612	1,063	93	2,520	–	4,288
Accumulated depreciation						
At 1 October 2015	545	478	4	1,937	–	2,964
Charge for the year	13	126	47	219	–	405
At 30 September 2016	558	604	51	2,156	–	3,369
Net book value						
At 30 September 2016	<u>54</u>	<u>459</u>	<u>42</u>	<u>364</u>	<u>–</u>	<u>919</u>
Cost						
At 1 October 2016	612	1,063	93	2,520	–	4,288
Additions	8	450	–	–	–	458
Disposals	–	(10)	–	–	–	(10)
At 30 September 2017	620	1,503	93	2,520	–	4,736
Accumulated depreciation						
At 1 October 2016	558	604	51	2,156	–	3,369
Charge for the year	16	173	42	219	–	450
Disposals	–	(10)	–	–	–	(10)
At 30 September 2017	574	767	93	2,375	–	3,809
Net book value						
At 30 September 2017	<u>46</u>	<u>736</u>	<u>–</u>	<u>145</u>	<u>–</u>	<u>927</u>

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 October 2017	620	1,503	93	2,520	–	4,736
Additions	–	21	–	–	3,288	3,309
Disposals	–	–	–	(63)	–	(63)
At 31 March 2018	<u>620</u>	<u>1,524</u>	<u>93</u>	<u>2,457</u>	<u>3,288</u>	<u>7,982</u>
Accumulated depreciation						
At 1 October 2017	574	767	93	2,375	–	3,809
Charge for the period	8	109	–	27	55	199
Disposals	–	–	–	(34)	–	(34)
At 31 March 2018	<u>582</u>	<u>876</u>	<u>93</u>	<u>2,368</u>	<u>55</u>	<u>3,974</u>
Net book value						
At 31 March 2018	<u><u>38</u></u>	<u><u>648</u></u>	<u><u>–</u></u>	<u><u>89</u></u>	<u><u>3,233</u></u>	<u><u>4,008</u></u>

As at 30 September 2015, 2016 and 2017 and 31 March 2018, certain motor vehicles were held under finance leases with carrying amounts of approximately HK\$110,000, HK\$55,000, nil and nil respectively.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, certain machinery was held under finance leases with carrying amounts of nil, nil, nil and approximately HK\$3,233,000 respectively.

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
Financial assets				
<i>Loans and receivables</i>				
Trade and other receivables excluding non-financial assets	76,284	74,589	79,766	124,343
Amounts due from related parties	1,261	8,578	5,848	6,112
Cash and cash equivalents	29,791	94,372	101,248	74,071
	<u>107,336</u>	<u>177,539</u>	<u>186,862</u>	<u>204,526</u>
<i>Financial assets at fair value through profit or loss</i>				
Financial assets at fair value through profit or loss	259	288	341	365
	<u>259</u>	<u>288</u>	<u>341</u>	<u>365</u>
Total	<u>107,595</u>	<u>177,827</u>	<u>187,203</u>	<u>204,891</u>
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Trade and other payables excluding non-financial liabilities	86,265	76,691	58,562	84,800
Amount due to a related party	1	1	1	1
Finance lease liabilities	156	98	37	2,636
Dividends payable	150	450	–	–
	<u>86,572</u>	<u>77,240</u>	<u>58,600</u>	<u>87,437</u>

15 TRADE AND OTHER RECEIVABLES

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
Trade receivables	40,868	26,210	41,476	77,099
Less: provision for impairment of trade receivables	(241)	(455)	(976)	(1,034)
	<u>40,627</u>	<u>25,755</u>	<u>40,500</u>	<u>76,065</u>
Retention receivables	25,304	38,401	37,167	44,952
Other receivables, deposits and prepayments	10,434	10,491	2,465	3,928
	<u>76,365</u>	<u>74,647</u>	<u>80,132</u>	<u>124,945</u>

Notes:

- (a) 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 and stipulated in the project contract, as appropriate. Trade receivables are denominated in HK\$.

- (b) The ageing analysis of the trade receivables based on payment certificate date or invoice date is as follows:

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018
0-30 days	38,857	21,726	27,639	16,407
31-60 days	954	191	4,111	55,244
61-90 days	30	80	4,181	2,956
Over 90 days	786	3,758	4,569	1,458
	<u>40,627</u>	<u>25,755</u>	<u>40,500</u>	<u>76,065</u>

Trade receivables of approximately HK\$39,152,000, HK\$21,725,000, HK\$27,884,000 and HK\$21,726,000 as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively were not yet past due and approximately HK\$1,475,000, HK\$4,030,000, HK\$12,616,000 and HK\$54,339,000 as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively were past due but not impaired. These relate to trade receivables from a number of customers of whom there is no recent history of default and no provision has therefore been made.

Ageing of trade receivables which are past due but not impaired

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018
0-30 days	659	146	3,873	49,925
31-60 days	30	176	4,225	2,956
61-90 days	207	92	321	–
Over 90 days	579	3,616	4,197	1,458
	<u>1,475</u>	<u>4,030</u>	<u>12,616</u>	<u>54,339</u>

Movements in the Group's provision for impairment of trade receivables are as follows:

	Year ended 30 September			Six months
	2015	2016	2017	ended
	HK\$'000	HK\$'000	HK\$'000	31 March
At beginning of year/period	158	241	455	976
Provision for impairment	83	214	571	58
Written off as uncollectible	–	–	(50)	–
At end of year/period	<u>241</u>	<u>455</u>	<u>976</u>	<u>1,034</u>

Except for retention receivables of approximately HK\$16,137,000, HK\$33,570,000, HK\$13,618,000 and HK\$10,946,000 as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

Included in trade receivables were amounts due from related parties, i) Wong Pak Lam & Associates Consulting Engineers & Architects Limited (“WPL & Associates”) of approximately HK\$42,000, HK\$44,000 and nil as at 30 September 2015, 2016 and 2017 respectively. Dr. CK Lau is the director of WPL & Associates up to December 2017; and ii) Maxwell Contract Services Company Limited (“Maxwell Contract Services”) of nil, nil, approximately HK\$3,596,000 and nil as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively. Maxwell Contract Services is a company owned by Dr. CW Lau.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

16 AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Contract costs incurred plus recognised profits less recognised losses	611,088	697,165	819,515	963,686
Less: Progress billings received and receivable	<u>(579,266)</u>	<u>(673,003)</u>	<u>(808,969)</u>	<u>(958,542)</u>
	<u>31,822</u>	<u>24,162</u>	<u>10,546</u>	<u>5,144</u>
Included in current assets/(liabilities) are the following:				
Amounts due from customers for contract work	35,335	27,177	22,717	30,799
Amounts due to customers for contract work	<u>(3,513)</u>	<u>(3,015)</u>	<u>(12,171)</u>	<u>(25,655)</u>
	<u>31,822</u>	<u>24,162</u>	<u>10,546</u>	<u>5,144</u>

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Held for trading investments include:				
Listed fund, at quoted price in Hong Kong	<u>259</u>	<u>288</u>	<u>341</u>	<u>365</u>

18 AMOUNT(S) DUE FROM/TO RELATED PARTY(IES)

(a) Amounts due from related parties

Name	Maximum outstanding balance during the year ended 30 September			Maximum outstanding balance during the six months ended 31 March	As at 30 September			As at 31 March
	2015	2016	2017	2018	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. CW Lau	330	2,680	2,571	2,708	167	2,571	2,443	2,708
Mr. CM Lau	585	3,035	2,890	1,590	540	2,890	1,590	1,590
Dr. CK Lau	540	2,890	2,890	1,590	540	2,890	1,590	1,590
Maxwell Contract Services	14	219	224	224	14	219	224	224
Hip Shing Construction & Engineering Limited ("Hip Shing")	-	8	8	1	-	8	1	-
					<u>1,261</u>	<u>8,578</u>	<u>5,848</u>	<u>6,112</u>

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

Hip Shing is a company owned by Mr. Christopher Lee, a director of a subsidiary of the Company. Mr. Christopher Lee resigned as a director of the subsidiary in December 2017.

(b) Amount due to a related party

Name	As at 30 September			As at 31 March
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fong On Information Technology Limited ("Fong On Information")	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

Fong On Information is a company controlled by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.

19 CASH AND CASH EQUIVALENTS

	As at 30 September			As at 31 March
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks	<u>29,791</u>	<u>94,372</u>	<u>101,248</u>	<u>74,071</u>

Notes:

- (a) The carrying amount of cash at bank balances are denominated in the following currencies:

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
HK\$	29,789	94,370	101,246	74,069
US\$	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Cash at banks	<u>29,791</u>	<u>94,372</u>	<u>101,248</u>	<u>74,071</u>

- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

20 COMBINED CAPITAL

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
Combined capital	<u>2,319</u>	<u>10,819</u>	<u>10,819</u>	<u>34</u>

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital at 30 September 2015, 2016 and 2017 and 31 March 2018 represents the aggregate of the paid-up share capital of the subsidiaries comprising the Group held by the Controlling Shareholders of the Company prior to the Reorganisation.

On 11 November 2014, Po Shing Construction resolved to increase its issued share capital from HK\$3 with 3 shares in issue to HK\$2,100,003 with 2,100,003 shares in issue, out of which 700,000 shares were allotted and issued to each of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.

On 21 June 2016, Fong On Construction resolved to increase its issued share capital from HK\$8,600,000 with 8,600,000 shares in issue to HK\$8,600,001 with 8,600,001 shares in issue. On the same day, one share was allotted and issued to Dr. CK Lau.

On 14 July 2017, Fong On Geotechnics resolved to increase its issued share capital from HK\$100,000 with 100,000 shares in issue to HK\$100,020 with 100,020 shares in issue. On the same day, 20 shares in Fong On Geotechnics were allotted and issued to Dr. CK Lau.

On 25 October 2017, each of Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each, respectively. 999 shares in each of Bright Dance, Mass Strength, Peaceful Fluent and Precious Castle, were allotted and issued at par to Elite Bright on 14 December 2017, respectively.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 3 January 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each and one fully paid share was allotted and issued to the initial subscriber, an independent third party, which was subsequently transferred to Elite Bright on 3 January 2018.

21 FINANCE LEASE LIABILITIES

As at 30 September 2015, 2016 and 2017 and 31 March 2018, the Group had finance leases repayable as follows (ignoring the effect of demand clause):

	As at 30 September 2015		As at 30 September 2016		As at 30 September 2017		As at 31 March 2018	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	58	64	61	63	37	38	849	935
More than one year but not more than two years	61	63	37	38	–	–	876	930
More than two years but not more than five years	37	38	–	–	–	–	911	930
	<u>156</u>	<u>165</u>	<u>98</u>	<u>101</u>	<u>37</u>	<u>38</u>	<u>2,636</u>	<u>2,795</u>
Less: total future interest expenses		<u>(9)</u>		<u>(3)</u>		<u>(1)</u>		<u>(159)</u>
Present value of lease obligations		<u>156</u>		<u>98</u>		<u>37</u>		<u>2,636</u>

The Group's motor vehicles with aggregate net book value of approximately HK\$110,000, HK\$55,000, nil and nil as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively were secured as the rights to the leased assets revert to the lessors in the event of default and by personal guarantee given by Dr. CW Lau.

The Group's machinery with aggregate net book value of nil, nil, nil and approximately HK\$3,233,000 as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively were secured as the rights to the leased assets revert to the lessors in the event of default and by personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.

The finance lease facilities bore interest of 4.73% per annum as at 30 September 2015, 2016 and 2017; and bore interest from 3.85% to 4.73% per annum as at 31 March 2018.

All finance lease liabilities are denominated in HK\$.

The Group did not breach financial bank covenant during the Track Record Period.

22 DEFERRED TAX ASSETS/LIABILITIES

The following is the deferred tax assets and liabilities recognised and movements thereon during the Track Record Period:

	Depreciation allowances <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2014	(17)	107	90
Charged to profit or loss (Note 10)	<u>(83)</u>	<u>(107)</u>	<u>(190)</u>
At 30 September 2015 and 1 October 2015	(100)	–	(100)
Credited to profit or loss (Note 10)	<u>17</u>	<u>291</u>	<u>308</u>
At 30 September 2016 and 1 October 2016	(83)	291	208
Charged to profit or loss (Note 10)	<u>(6)</u>	<u>(291)</u>	<u>(297)</u>
At 30 September 2017 and 1 October 2017	(89)	–	(89)
Credited to profit or loss (Note 10)	<u>29</u>	<u>–</u>	<u>29</u>
At 31 March 2018	<u><u>(60)</u></u>	<u><u>–</u></u>	<u><u>(60)</u></u>

For the purpose of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at 30 September			As at 31 March
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	31	318	16	25
Deferred tax liabilities	<u>(131)</u>	<u>(110)</u>	<u>(105)</u>	<u>(85)</u>
	<u><u>(100)</u></u>	<u><u>208</u></u>	<u><u>(89)</u></u>	<u><u>(60)</u></u>

23 TRADE AND OTHER PAYABLES

	As at 30 September			As at 31 March
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	47,435	27,874	16,140	28,439
Retention payables	13,534	19,333	19,641	21,927
Accruals and other payables	25,296	29,484	22,781	34,434
Receipts in advance	<u>250</u>	<u>42,460</u>	<u>33,752</u>	<u>23,581</u>
	<u><u>86,515</u></u>	<u><u>119,151</u></u>	<u><u>92,314</u></u>	<u><u>108,381</u></u>

Notes:

- (a) The ageing analysis of trade payables based on the invoice date is as follows:

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
0-30 days	40,600	25,500	8,154	22,387
31-60 days	5,480	1,362	3,956	2,380
61-90 days	232	469	1,381	–
Over 90 days	<u>1,123</u>	<u>543</u>	<u>2,649</u>	<u>3,672</u>
	<u>47,435</u>	<u>27,874</u>	<u>16,140</u>	<u>28,439</u>

Except for retention payables of approximately HK\$8,313,000, HK\$14,661,000, HK\$11,267,000 and HK\$5,541,000 as at 30 September 2015, 2016 and 2017 and 31 March 2018 respectively, which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

Included in trade payables was amount due to a related party, Hip Shing of approximately HK\$1,605,000, nil and nil, as at 30 September 2015, 2016 and 2017 respectively.

Included in accruals was amount due to a related party, Hip Shing of approximately HK\$2,948,000, HK\$5,382,000 and HK\$7,273,000, as at 30 September 2015, 2016 and 2017 respectively.

- (b) All trade and other payables are denominated in HK\$.

24 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from/(used in) operations

	Year ended 30 September			Six months ended 31 March	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Profit before income tax	28,779	24,399	28,910	11,884	3,501
Adjustments for:					
Depreciation	285	405	450	212	199
Interest expense	9	6	3	2	1
Interest income	(2)	(5)	(14)	(7)	(8)
Dividend income	(10)	(9)	(9)	(7)	(9)
Impairment on trade receivables	83	214	571	540	58
(Gain)/loss on disposal of property, plant and equipment	–	–	(84)	(84)	27
Operating profit before working capital changes	29,144	25,010	29,827	12,540	3,769
(Increase)/decrease in trade and other receivables	(62,978)	1,504	(6,056)	(5,115)	(44,840)
(Increase)/decrease in amounts due from customers for contract work	(21,572)	8,158	4,460	5,440	(8,082)
Decrease/(increase) in financial assets at fair value through profit or loss	27	(29)	(53)	(5)	(24)
Increase/(decrease) in trade and other payables	68,280	32,636	(26,837)	(21,452)	16,067
Increase/(decrease) in amounts due to customers for contract work	1,274	(498)	9,156	2,310	13,484
Net cash generated from/(used in) operations	<u>14,175</u>	<u>66,781</u>	<u>10,497</u>	<u>(6,282)</u>	<u>(19,626)</u>

(b) Material non-cash transactions

During the year ended 30 September 2016, acquisition of shares of Fong On Construction from Po Shing Construction of HK\$700,000 was settled by current accounts with Dr. CW Lau, Mr. CM Lau and Dr. CK Lau.

During the year ended 30 September 2017, additions to property, plant and equipment of approximately HK\$84,000 was settled by trade-in discount given by the vendor.

During the six months ended 31 March 2018, additions to property, plant and equipment of approximately HK\$2,630,000 were financed by finance lease arrangements.

(c) Reconciliation of liabilities arising from financing activities

	As at 1 October 2014 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 30 September 2015 HK\$'000
Amount due to a related party	504	(503)	–	1
Dividends payable (Note i)	120	(120)	150	150
Finance lease liabilities	<u>211</u>	<u>(55)</u>	<u>–</u>	<u>156</u>
Total liabilities from financing activities	<u>835</u>	<u>(678)</u>	<u>150</u>	<u>307</u>
	As at 1 October 2015 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 30 September 2016 HK\$'000
Amount due to a related party	1	–	–	1
Dividends payable (Note i)	150	(150)	450	450
Finance lease liabilities	<u>156</u>	<u>(58)</u>	<u>–</u>	<u>98</u>
Total liabilities from financing activities	<u>307</u>	<u>(208)</u>	<u>450</u>	<u>549</u>
	As at 1 October 2016 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 30 September 2017 HK\$'000
Amount due to a related party	1	–	–	1
Dividends payable (Note i)	450	(3,450)	3,000	–
Finance lease liabilities	<u>98</u>	<u>(61)</u>	<u>–</u>	<u>37</u>
Total liabilities from financing activities	<u>549</u>	<u>(3,511)</u>	<u>3,000</u>	<u>38</u>

	As at 1 October 2017 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>
Amount due to a related party	1	–	–	1
Finance lease liabilities (Note ii)	37	(31)	2,630	2,636
	<u>38</u>	<u>(31)</u>	<u>2,630</u>	<u>2,637</u>

(Unaudited)

	As at 1 October 2016 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>
Amount due to a related party	1	–	–	1
Dividends payable	450	–	–	450
Finance lease liabilities	98	(30)	–	68
	<u>549</u>	<u>(30)</u>	<u>–</u>	<u>519</u>

Note:

- (i) Non-cash changes represent dividends declared during the respective years/period.
- (ii) Non-cash changes represent additions to property, plant and equipment financed by finance lease arrangement.

25 OPERATING LEASE COMMITMENTS

(a) The Group as lessee

At the end of each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 30 September			As at 31 March
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	659	1,072	612	120
In the second to fifth years inclusive	87	574	141	122
	<u>746</u>	<u>1,646</u>	<u>753</u>	<u>242</u>

The Group is the lessee in respect of office premises, quarters and office equipment under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases whereby all terms are renegotiated. The operating leases in respect of the office premises were secured by personal guarantee given by Dr. CW Lau.

(b) The Group as lessor

At the end of each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	As at 30 September			As at 31
	2015	2016	2017	March
	HK\$'000	HK\$'000	HK\$'000	2018
Within one year	46	100	58	–
In the second to fifth years inclusive	–	58	–	–
	<u>46</u>	<u>158</u>	<u>58</u>	<u>–</u>

The Group is the lessor in respect of office premise under operating leases. The leases typically run for an initial period of 2 to 3 years, with an option to renew the leases when all terms are renegotiated.

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

In addition to those disclosed elsewhere in the Historical Financial Information, the following transactions were carried out with related parties at terms mutually agreed by both parties.

(a) Transactions

	Year ended 30 September			Six months ended	
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Rental income from Hip Shing	78	87	100	50	8
Revenue from WPL & Associates	126	425	46	46	–
Revenue from Maxwell Contract Services	4,635	6,324	5,537	2,029	1,347
Subcontracting fee to Hip Shing	<u>2,139</u>	<u>3,234</u>	<u>2,798</u>	<u>1,174</u>	<u>1,266</u>

(b) Key management compensation

Key management comprises the directors of the Company. The compensation paid or payable to directors is disclosed in Note 9.

(c) Guarantee/security

As at 30 September 2015, 2016 and 2017 and 31 March 2018, the Group has unutilised banking facilities of approximately HK\$4,200,000, HK\$4,200,000, HK\$4,200,000 and HK\$9,700,000 respectively secured/guaranteed by (i) personal guarantees given by Dr. CW Lau, Mr. CM Lau and Dr. CK Lau and spouse of Mr. CM Lau and (ii) a property held by Mr. CM Lau and his spouse.

27 SURETY BONDS AND CONTINGENT LIABILITIES

As at 30 September 2015, 2016 and 2017 and 31 March 2018, certain customers of construction contracts undertaken by the Group require the Group to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$15,458,000, HK\$20,246,000, HK\$359,000 and HK\$267,000 respectively. Dr. CW Lau, Mr. CM Lau and Dr. CK Lau have provided guarantees to the insurance companies to secure certain surety bonds. The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

As at 30 September 2015, 2016 and 2017 and 31 March 2018, the Group paid a cash collateral of approximately HK\$6,430,000, HK\$6,587,000, HK\$144,000 and HK\$107,000 respectively to the insurance companies for the issuance of surety bonds and are included in other receivables, deposits and prepayments.

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

28 ACQUISITION OF NON-CONTROLLING INTERESTS

- (a) On 21 June 2016, Dr. CK Lau acquired 1,000 shares of Fong On Construction, representing approximately 0.01% of its issued shares, from Ms. Lau Wai Ling Josephine (sister of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau) at a consideration of HK\$1,000.
- (b) On 14 July 2017, Dr. CK Lau acquired 1,000 shares of Fong On Geotechnics, representing 1% of its issued shares, from Ms. Lau Wai Ling Josephine at a consideration of HK\$1,000.
- (c) On 19 December 2017, Mass Strength acquired 2,500 shares of James Lau & Associates, representing approximately 14% of its issued shares, from Mr. Luk Wah Shing (brother-in-law of Dr. CW Lau, Mr. CM Lau and Dr. CK Lau) at a consideration of HK\$50,000.

On 18 January 2018, Mass Strength acquired 1,000 shares of James Lau & Associates, representing approximately 5% of its issued shares, from Mr. Luk Wang Kwong at a consideration of HK\$50,000.

29 SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2018:

- (a) The Reorganisation as set out in Note 1 to Historical Financial Information was completed on 17 September 2018.
- (b) The Company adopted a share option scheme on 17 September 2018, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (c) On 17 September 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each.
- (d) On 14 September 2018, dividends of HK\$15,064,000 were appropriated to the then shareholder of Peaceful Fluent, Precious Castle and Mass Strength of HK\$9,998,000, HK\$3,158,000 and HK\$1,908,000 respectively, of which approximately HK\$15,040,000 was set off against the amounts due from directors and approximately HK\$24,000 will be settled by cash by internal resources before listing, which is expected to be on 16 October 2018.

30 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report on the historical financial information of our Group for the three years ended 30 September 2017 and the six months ended 31 March 2018 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our 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" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Share Offer on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 March 2018, as if the Share Offer had taken place on 31 March 2018.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at 31 March 2018 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
Based on the Offer Price of HK\$0.675 per Share	<u>98,014</u>	<u>110,891</u>	<u>208,905</u>	<u>0.26</u>
Based on the Offer Price of HK\$0.625 per Share	<u>98,014</u>	<u>101,691</u>	<u>199,705</u>	<u>0.25</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company as of 31 March 2018 is extracted from the Accountants' Report, which is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK\$98,014,000.
2. The estimated net proceeds from the Share Offer are based on 200,000,000 Shares at the indicative Offer Price of HK\$0.675 and HK\$0.625 per Share, respectively, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$12,291,000 listing-related expenses which have been accounted for prior to 31 March 2018).
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that 800,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" of this prospectus (assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2018).
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to 31 March 2018. In particular, on 14 September 2018, dividends of HK\$15,064,000 were appropriated to the then shareholder of Peaceful Fluent International Limited, Precious Castle Holdings Limited and Mass Strength Limited. The unaudited pro forma adjusted net tangible assets had not taken into account of the above transaction. Had the effect of the dividends of HK\$15,064,000 appropriated on 14 September 2018 been taken into account, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.24 and HK\$0.23, assuming the indicative Offer Price of HK\$0.675 and HK\$0.625, respectively on the basis that 800,000,000 Shares were in issue and that the dividends appropriated on 14 September 2018, the Share Offer and the Capitalisation Issue had been completed on 31 March 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SHING CHI HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shing Chi Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2018 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Section A of Appendix II to the prospectus issued by the Company dated 28 September 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the “**Share Offer**”) on the Group’s financial position as at 31 March 2018 as if the Share Offer had taken place at 31 March 2018. As part of this process, information about the Group’s financial information has been extracted by the directors from the Group’s financial information for the three years ended 30 September 2017 and the six months ended 31 March 2018, on which an accountants’ report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 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’ Responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 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 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' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong, 28 September 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 3 January 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 September 2018 and shall become effective upon the Listing. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member 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 Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the

principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors***(i) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue

debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members 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.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be

deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) 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.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as

such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members 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 members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) 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 Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so

divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 3 January 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the

redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the

company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 16 February 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after

the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser 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 Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 January 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 February 2018 and our principal place of business in Hong Kong is at Units 1901-1904, China Merchants Building, 152-155 Connaught Road Central, Hong Kong. CFN Lawyers in association with Broad & Bright of Units 4101-4104, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. One fully-paid Share was allotted and issued to the subscriber on 3 January 2018, which was subsequently transferred to Elite Bright on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued shares of Mass Strength, Peaceful Fluent, Bright Dance and Precious Castle, respectively, from Elite Bright, on 17 September 2018, 9,999 Shares, credited as fully paid, were allotted and issued to Elite Bright.
- (c) On 17 September 2018, our sole Shareholder resolved to increase the authorised share capital of our Company from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of 1,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 800,000,000 Shares will be issued fully paid or credited as fully paid, and 1,200,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 17 September 2018” in this appendix and pursuant to the Share Option Scheme, our

Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.

- (f) Alteration in our Company's share capital since its incorporation is disclosed in the section headed "Share Capital" of this prospectus and in this paragraph headed "Changes in share capital of our Company". There has been no other alteration in our Company's share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 17 September 2018

On 17 September 2018, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company conditionally approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by creation of an additional 1,962,000,000 Shares of par value HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$5,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 599,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 17 September 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the

aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the Repurchase Mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraphs headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in paragraph headed “Corporate reorganisation” above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 17 September 2018, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue after completion of the Share Offer, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an instrument of transfer dated 19 December 2017 and entered into between Luk Wah Shing (as transferor) and Mass Strength Limited (as transferee) for the transfer of 2,500 shares in James Lau & Associates Limited in issue at a consideration of HK\$50,000;
- (b) a bought and sold note dated 19 December 2017 and executed by Luk Wah Shing (as transferor) and Mass Strength Limited (as transferee) pursuant to which Mass Strength Limited acquired 2,500 shares in James Lau & Associates Limited in issue from Luk Wah Shing at a consideration of HK\$50,000;
- (c) an instrument of transfer dated 18 January 2018 and entered into between Luk Wang Kwong (as transferor) and Mass Strength Limited (as transferee) for the transfer of 1,000 shares in James Lau & Associates Limited in issue at a consideration of HK\$50,000;
- (d) a bought and sold note dated 18 January 2018 and executed by Luk Wang Kwong (as transferor) and Mass Strength Limited (as transferee) pursuant to which Mass Strength Limited acquired 1,000 shares in James Lau & Associates Limited in issue from Luk Wang Kwong at a consideration of HK\$50,000;





- (e) an agreement dated 18 January 2018 entered into between Lau Chi Wang, Lau Chi Ming and Lau Chi Keung as vendors and Mass Strength Limited as purchaser for the sale and purchase of 15,000 shares in the issued share capital of James Lau & Associates Limited (劉志宏建築工程師事務所有限公司) in consideration of which Mass Strength Limited allotted and issued an aggregate of 99 shares, credited as fully-paid, to Elite Bright Developments Limited;
- (f) an agreement dated 31 January 2018 entered into between Lau Chi Wang, Lau Chi Ming and Lau Chi Keung as vendors and Peaceful Fluent International Limited as purchaser for the sale and purchase of 8,600,001 shares in the issued share capital of Fong On Construction Limited (晃安建設有限公司) in consideration of which Peaceful Fluent International Limited allotted and issued an aggregate of 99 shares, credited as fully-paid, to Elite Bright Developments Limited;
- (g) an agreement dated 31 January 2018 entered into between Lau Chi Wang, Lau Chi Ming and Lau Chi Keung as vendors and Precious Castle Holdings Limited as purchaser for the sale and purchase of 100,020 shares in the issued share capital of Fong On Geotechnics Limited (晃安土力有限公司) in consideration of which Precious Castle Holdings Limited allotted and issued an aggregate of 99 shares, credited as fully-paid, to Elite Bright Developments Limited;
- (h) an agreement dated 31 January 2018 entered into between Lau Chi Wang, Lau Chi Ming and Lau Chi Keung as vendors and Bright Dance Group Limited as purchaser for the sale and purchase of 2,100,003 shares in the issued share capital of Po Shing Construction Limited (保成建設有限公司) in consideration of which Bright Dance Group Limited allotted and issued an aggregate of 99 shares, credited as fully-paid, to Elite Bright Developments Limited;
- (i) a share swap deed dated 17 September 2018 entered into between (i) Elite Bright Developments Limited; (ii) Lau Chi Wang; (iii) Lau Chi Ming; (iv) Lau Chi Keung; and (v) Shing Chi Holdings Limited (成志控股有限公司) in relation to the transfer of 1,098 shares in each of Mass Strength Limited, Peaceful Fluent International Limited, Precious Castle Holdings Limited and Bright Dance Group Limited to Shing Chi Holdings Limited;
- (j) the Deed of Non-competition dated 17 September 2018 given by (i) Lau Chi Wang; (ii) Lau Chi Ming; (iii) Lau Chi Keung; and (iv) Elite Bright Developments Limited in favour of Shing Chi Holdings Limited (成志控股有限公司) (for itself and for and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Non-competition undertakings” under the section headed “Relationship with our Controlling Shareholders” in this prospectus;

- (k) the Deed of Indemnity dated 17 September 2018 given by (i) Lau Chi Wang; (ii) Lau Chi Ming; (iii) Lau Chi Keung; and (iv) Elite Bright Developments Limited in favour of Shing Chi Holdings Limited (成志控股有限公司) (for itself and for and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “E. Other information – 1. Tax and other indemnities” in this appendix; and
- (l) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong:

Trademark	Class	Trademark number	Registered owner	Duration
	37	304331439	Fong On Construction	10 November 2017 – 9 November 2027
	37	304313646	Fong On Construction	25 October 2017 – 24 October 2027
	37	304313628	Fong On Geotechnics	25 October 2017 – 24 October 2027
	37	304313637	Po Shing Construction	25 October 2017 – 24 October 2027

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registrant	Duration
<u>www.shingchiholding.com</u>	James Lau & Associates	21 December 2017 – 21 December 2018
<u>www.shingchiholdings.com</u>	Fong On Construction	27 March 2018 – 27 March 2020

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature	Number of Shares held/ interested (Note 1)	Percentage of interest
Dr. CW Lau (Note 2)	Interested in a controlled corporation	600,000,000	75%
Mr. CM Lau (Note 2)	Interested in a controlled corporation	600,000,000	75%
Dr. CK Lau (Note 2)	Interested in a controlled corporation	600,000,000	75%

Notes:

- (1) All interests stated are long positions.
- (2) Dr. CW Lau, Mr. CM Lau and Dr. CK Lau beneficially own the entire issued share capital of Elite Bright in equal parts. Therefore, Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are deemed, or taken to be, interested in all the Shares held by Elite Bright for the purpose of the SFO. Dr. CW Lau, Mr. CM Lau and Dr. CK Lau are the directors of Elite Bright.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option

Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
Elite Bright	Beneficial Owner	600,000,000	75%
Ms. Ng Lai Mui Theresa (Note 2)	Interest of spouse	600,000,000	75%
Ms. Ng Kooi Har (Note 3)	Interest of spouse	600,000,000	75%
Ms. Kwong Shun Man Jessie (Note 4)	Interest of spouse	600,000,000	75%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Ng Lai Mui Theresa is the spouse of Dr. CW Lau. Therefore, Ms. Ng Lai Mui Theresa is deemed to be, or taken to be, interested in the same number of Shares in which Dr. CW Lau is interested for the purpose of the SFO.
- (3) Ms. Ng Kooi Har is the spouse of Mr. CM Lau. Therefore, Ms. Ng Kooi Har is deemed to be, or taken to be, interested in the same number of Shares in which Mr. CM Lau is interested for the purpose of the SFO.
- (4) Ms. Kwong Shun Man Jessie is the spouse of Dr. CK Lau. Therefore, Ms. Kwong Shun Man Jessie is deemed to be, or taken to be, interested in the same number of Shares in which Dr. CK Lau is interested for the purpose of the SFO.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$5.0 million, HK\$6.1 million, HK\$4.3 million and HK\$2.8 million, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 30 September 2018 will be approximately HK\$3.8 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Director(s)	
Dr. CW Lau	1,440,000
Mr. CM Lau	1,440,000
Dr. CK Lau	1,440,000
Independent non-executive Directors	
Mr. Pang Ka Hang	120,000
Mr. Wong Chun Nam	120,000
Mr. Leung Bing Kwong Edward	120,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Fees or commission received

In connection with the Share Offer, the Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until despatch of the Company's consolidated audited financial results for the full financial year after the Listing Date and the Underwriters will receive an underwriting commission of 8.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling commissions. For details, please refer to the section headed "Underwriting" in this prospectus. None of our Directors or other experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 26 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest subcontractors of our Group.

D. SHARE OPTION SCHEME

1. Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	17 September 2018, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 17 September 2018:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our

Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) *Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be

fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (a) representing in aggregate over 0.1% of our Shares in issue; and
 - (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);

- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (g) of the sub-section headed “B. Further Information about our Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and for and on behalf of our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; (c) any claims, actions, demands, proceedings, suits, judgments, losses, payments, liabilities, damages, settlement payments, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional; and (d) any losses, liabilities, damages, costs, claims and expenses of whatever nature suffered or incurred by any member of our Group in relation to any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional except that provisions, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other member of our Group for the Track Record Period (if any). The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 March 2018 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, our group has been involved in a number of claims, litigations and potential claims. For details, please refer to the section headed “Business – Legal proceedings and potential claims” of this prospectus. As at the Latest Practicable Date, no member of our Group was engaged in any other litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$5.6 million to the Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
HLB Hodgson Impey Cheng Taxation Services Limited	Tax adviser
Appleby	Legal advisers to our Company as to Cayman Islands law
Ipsos Limited	Market research consultant
Mr. Yuen Siu Kei	Barrister-at-law in Hong Kong
Sam K. M. Ng CPA Limited	Internal control consultant

7. Consents of experts

Each of Frontpage Capital Limited, HLB Hodgson Impey Cheng Limited, HLB Hodgson Impey Cheng Taxation Services Limited, Appleby, Mr. Yuen Siu Kei, Sam K. M. Ng CPA Limited and Ipsos Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

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

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Esera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;

- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
 - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

Save for the interests and obligations under the Underwriting Agreements as disclosed in the section headed “Underwriting” of this prospectus, none of the parties listed in the paragraph headed “Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

- (c) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (d) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) Our Group has no outstanding convertible debt securities.
- (g) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (h) The English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG
KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for the inspection at the office of CFN Lawyers in association with Broad & Bright at Units 4101-4104, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report from HLB Hodgson Impey Cheng Limited in respect of the historical financial information for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of the companies comprising our Group for the years ended 30 September 2015, 2016 and 2017 and the six months ended 31 March 2018;
- (e) the Companies Law;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in “Appendix IV – Statutory and General Information – Summary of material contracts” to this prospectus;
- (h) the written consents referred to in “Appendix IV – Statutory and General Information – Consents of experts” to this prospectus;

- (i) the rules of the Share Option Scheme referred to in “Appendix IV – Share Option Scheme” to this prospectus;
- (j) the service agreements referred to in “Appendix IV – Statutory and General Information – Particulars of service agreements” to this prospectus;
- (k) the internal control report prepared by Sam K. M. Ng CPA Limited;
- (l) the industry report issued by Ipsos Limited;
- (m) the legal advices prepared by Mr. Yuen Siu Kei; and
- (n) the tax advice prepared by HLB Hodgson Impey Cheng Taxation Services Limited.



Shing Chi Holdings Limited
成志控股有限公司