

IMPORTANT

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

Lapco Holdings Limited

立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	100,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares	:	90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option), comprising 70,000,000 New Shares and 20,000,000 Sale Shares
Number of Public Offer Shares	:	10,000,000 Shares (subject to reallocation)
Offer Price	:	HK\$0.5 per Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (payable in full on application in Hong Kong dollar and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	8472

Sole Sponsor



Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the paragraphs headed "Documents delivered to the Registrar of Companies 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). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the matters discussed under the section headed "Risk factors" in this prospectus before making any investment decision in relation to our Company.

Prospective investors of the Offer Shares should note that the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) has the right, in their sole and absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreements upon the occurrence of any of the events set out under the paragraphs headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus, at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreements in accordance with their respective terms, the Share Offer will not become unconditional and will lapse immediately.

30 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

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

2017
(Note 1)

Application lists of Public Offer open (Note 2) 11:45 a.m. on Wednesday,
5 July

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

Application Forms and giving **electronic application**
instructions to HKSCC (Note 3) 12:00 noon on Wednesday,
5 July

Application lists of Public Offer close (Note 2) 12:00 noon on Wednesday,
5 July

Announcement of the level of indications of interest
in the Placing, the level of applications in the Public
Offer and the basis of allocation of the Public Offer
Shares under the Public Offer to be published on
our Company's website at www.lapco.com.hk
and the website of the Stock Exchange
at www.hkexnews.hk on or before Monday, 17 July

Results of allocations in the Public Offer (with successful
applicants' identification document numbers,
where applicable) to be available through a variety of
channels as described in the section headed
"How to apply for Public Offer Shares —
10. Publication of results" in this prospectus Monday, 17 July

Results of allocations in the Public Offer will be available
at www.tricor.com.hk/ipo/result with a "search by
ID Number" function from Monday, 17 July

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 (Note 4) Monday, 17 July

Despatch/collection of refund cheques in respect
of wholly or partially successful applications (if applicable)
or wholly or partially unsuccessful applications pursuant
to the Public Offer on or before (Note 4) Monday, 17 July

Dealings in the Shares on GEM expected to commence at 9:00 a.m. on Tuesday,
18 July

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local time and date unless otherwise stated in this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. If there is a 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. to 12:00 noon on Wednesday, 5 July 2017, the application lists will not open or close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. 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 Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. Refund cheques will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. 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 identify card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017. Applicant being individuals who is 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 corporations stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares 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 designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts 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 on Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies” 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 paragraph headed “How to apply for Public Offer Shares 12. Refund of application monies” and “How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies” in this prospectus.

EXPECTED TIMETABLE

Share certificates will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised and has lapsed. No temporary documents or evidence of title will be issued. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. Details of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and therefore does not contain all the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.

OVERVIEW

We are an established and one-stop environmental hygiene service provider based in Hong Kong, providing four major types of environmental hygiene services, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services.

We provide our environmental hygiene services to a wide range of venues and to major customers including various departments of the HK Government, property management companies and other corporations in the private sector during the Track Record Period.

Our history dates back to 1990, when one of our operating subsidiaries, Shiny Glory, was incorporated. Commenced our business operations as a waste management service provider, we have expanded our business operations to provide cleaning services, pest management and landscaping services since 1997, 2000, and March 2016 respectively. With over 26 years of experience in the environmental hygiene service industry, our Directors believe that we have established a market reputation in offering high quality environmental hygiene services and are well-positioned to capture the growing demand for environmental hygiene services.

According to Frost & Sullivan, we ranked the ninth in 2016 among environmental hygiene service providers in Hong Kong and had 3.3% of market share in terms of revenue generated. Further, according to Frost & Sullivan, we ranked the third in 2016 in terms of the street cleaning service contract sum awarded by our largest customer, the market of which is shared only by five service providers. During the two years ended 31 December 2016, we generated total revenue of approximately HK\$363.5 million and HK\$404.1 million, respectively, while our net profit amounted to approximately HK\$15.1 million and HK\$8.8 million, respectively.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths will continue to enhance our presence and increase our market share in the environmental hygiene service industry, (i) we have a well-established presence in the environmental hygiene service industry in Hong Kong; (ii) we have established business relationships with public sector

SUMMARY

customers; (iii) we have a proven track record in providing comprehensive and high quality environmental hygiene services to our customers; and (iv) we have an experienced management team and substantial operational resources. Further details on our competitive strengths are set forth in the paragraphs headed “Business — Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

We aim to achieve sustainable growth and further strengthen our overall competitiveness and business growth in the environmental hygiene service industry in Hong Kong. To achieve this, we plan to adopt the following strategies to capitalise on opportunities to leverage our competitive strengths: (i) expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong; (ii) enhance the information technology application system to enhance operational efficiency; and (iii) expand our presence in the private sector to diversify our customer base. Further details on our business strategies are set forth in the paragraphs headed “Business — Business strategies and future plans” in this prospectus.

OUR CUSTOMERS AND OUR SERVICES

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

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector ^(Note 1)	341,685	94.0	382,400	94.6
Private sector ^(Note 2)	<u>21,782</u>	<u>6.0</u>	<u>21,724</u>	<u>5.4</u>
Total	<u>363,467</u>	<u>100.0</u>	<u>404,124</u>	<u>100.0</u>

Notes:

1. Public sector refers to the departments of the HK Government.
2. Private sector refers to all companies and corporate bodies other than departments of the HK Government, such as statutory organisations, universities and companies receiving substantial funding of the HK Government.

For the two years ended 31 December 2016, we derived our revenue mainly from the public sector, representing approximately 94.0% and 94.6% of the total revenue. Furthermore, during the Track Record Period, revenue attributable to our largest customer, a department of the HK Government responsible for food and environmental hygiene, amounted to approximately 81.1% and 78.1%, respectively, while revenue attributable to our five largest customers in aggregate amounted to approximately 96.2% and 95.7%, respectively. Our Directors confirm that all of our customers are Independent Third Parties.

SUMMARY

The following table sets forth a breakdown of our revenue and gross profit during the Track Record Period by business segments:

	For the year ended 31 December										
	2015					2016					
	<i>Revenue</i>	<i>% to</i>	<i>Gross</i>	<i>% to</i>	<i>Gross</i>	<i>Revenue</i>	<i>% to</i>	<i>Gross</i>	<i>% to</i>	<i>Gross</i>	
<i>HK\$'000</i>	<i>Total</i>	<i>Profit</i>	<i>Total</i>	<i>margin</i>	<i>HK\$'000</i>	<i>Total</i>	<i>Profit</i>	<i>Total</i>	<i>margin</i>	<i>%</i>	
Cleaning services	305,399	84.0	28,294	81.8	9.3	343,982	85.1	31,555	78.5	9.2	
Pest management services	43,346	11.9	1,526	4.4	3.5	31,552	7.8	3,365	8.4	10.7	
Waste management and recycling services	14,722	4.1	4,753	13.8	32.3	27,870	6.9	5,256	13.0	18.8	
Landscaping services	-	-	-	-	-	720	0.2	18	0.1	2.5	
Total	363,467	100.0	34,573	100.0	9.5	404,124	100.0	40,194	100.0	9.9	

During the Track Record Period, the largest component of our revenue was cleaning services, representing approximately 84.0% and 85.1% of our total revenue for the two years ended 31 December 2015 and 2016, respectively.

The gross profit margin of the Company was approximately 9.5% and 9.9% during the two years ended 31 December 2016. The gross profit margin of the cleaning services maintained stable while that of pest management services improved from 3.5% to 10.7% during the Track Record Period, mainly due to the decrease in the vehicle expenses of the pest management projects but partially offset by the increase in depreciation of the newly purchased vehicles. The vehicle expenses accounted for approximately 18.4% of the segment revenue for the year ended 31 December 2015 and then reduced to approximately 11.9% of the segment revenue for the year ended 31 December 2016, resulting from less reliance on the vehicle rental services, whereas the petrol cost and salaries of drivers were borne by our Group for both rented vehicles and self-owned vehicles. The Group purchased additional vans to perform the pest management services and reduced renting vehicles from independent providers. Our self-owned vehicles are depreciated over a period of five years. Although the newly purchased vehicles incurred additional depreciation, the monthly depreciation of one self-owned vehicle is approximately to 19% of the monthly rental of vehicle. Therefore, our less reliance on rental vehicles led to a decrease in our cost of services. During the two years ended 31 December 2016, the gross profit margin of waste management and recycling services decreased from 32.3% to 18.8%, mainly attributable to an overall increase of approximately 89.3% in revenue for the year ended 31 December 2016 while the cost of services for the same year increased by 126.8%. This was due to an increased revenue contribution from two waste collection projects, which commenced in May and July 2016. The higher cost of services was mainly due to the substantial increase in motor vehicle running expenses and transportation expenses in relation to these two new waste collection projects which heavily relied on motor vehicles, being mobile refuse compactors, to collect wastes.

SUMMARY

Further details on the financial performance of the Group are set forth in the section headed “Financial information” in this prospectus.

Customer concentration

Despite the substantial revenue contribution from our largest customer during the Track Record Period, our Directors are of the view that our reliance on our largest customer is not an extreme case which would impact on our suitability for Listing based on the following factors:

- In view of our business nature and the sustainable demand for our environmental hygiene services throughout the year from a wide range of entities of both public and private sectors, our Directors are of the view that it would not be difficult for us to find new customers;
- We attempted to diversify and expand our customer base, as evidenced by, among others, the decreasing level of reliance on our largest customer for the year ended 31 December 2016;
- In view of the highly concentrated industry landscape of street cleaning services and the large scale of street cleaning service contracts, our Directors are of the view that as far as street cleaning services are concerned, it would be unlikely for us to break off reliance on our largest customer;
- With the over 18 years of business relationship with our largest customer and our abilities in offering competitive tenders and maintaining satisfactory performance in connection with the service contracts awarded to us, we have maintained complementary business relationships with our largest customer;
- In view of the governmental responsibility of our largest customer and its less susceptible demand of environmental hygiene services to changing economic conditions, our Directors are of the view that we will be capable of maintaining our revenue in future despite our reliance on our largest customer.

Further details on customer concentration are set forth in the paragraphs headed “Business — Customers — Customer concentration” and “Risk factors — Our customer concentration is high, a loss of our largest customer may adversely affect our business operations and financial results” in this prospectus.

Tender and quotation preparation

We obtained our service contracts from customers through tendering and/or providing quotations, which are prepared by our marketing department. When we receive a tender or quotation invitation, our marketing department will first make a preliminary assessment of the requirements of the tender or quotation and prepare a summary for our management team’s review. Our management team considers a number of major factors, including but not limited to, (a) our relationship with the customer; (b) the prevailing

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market rates; (c) the competition within the industry; (d) our estimated budget; and (e) our available banking facilities for provision of performance guarantee to decide whether to participate in the tender. Once our management team decides to participate in the tender, our marketing department will prepare a full set of tender for submission.

For each of the two years ended 31 December 2015 and 2016, the tender/quotation success rates for public sector are 24.2% and 24.6%. For each of the two years ended 31 December 2015 and 2016, the tender/quotation success rates for private sector are 19.2% and 17.5%. Going forward, we intend to submit more tenders/quotations as our Directors believe that this would enable us to secure more contracts. Also, we intend to expand our services in the private sector. We are planning to hire an assistant marketing manager who will be responsible for assisting our senior marketing manager in preparing tenders and quotations and soliciting new customers from the private sector through promoting our services to our target customers.

Further details on our business strategies and tendering and quotation preparation are set forth in the paragraphs headed “Business strategies and future plans” and “Operations — Tender and quotation preparation” in the Business section of this prospectus.

Basis of determination of our service fees

We take into account various factors when deriving our pricing policy such as (a) our budget prepared based on previous contracts with similar scope of services; (b) our cost analysis taking into account potential increase in wages, scope of services, resources allocated to the contract, the duration of the contract, material costs, locations of projects, size of projects and timetable provided by the customer; (c) the prevailing market rates; and (d) relationship, reputation or background of the customer. Furthermore, since the payments charged by us are generally a fixed contract sum, we (i) monitor our cost on an ongoing basis to identify material costs overrun and (ii) request reports with sufficient justification and supporting documentation for approval before additional resources or expenditures for procurement are incurred, to avoid or minimise costs overrun.

Further details on our customers are set forth in the paragraphs headed “Business — Customers” in this prospectus.

OUR SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers include (a) vehicles rental service providers; (b) material and equipment suppliers supplying materials and equipment such as garbage bags, toilet paper and other cleaning equipment in the provision of cleaning services and pest management services; (c) fuel suppliers supplying fuel for our vehicles; and (d) subcontractors providing additional equipment and staff. For the two years ended 31 December 2015 and 2016, the percentage of total cost of services excluding direct labour costs attributable to our largest supplier amounted to approximately 15.6% and 5.9%, respectively, while the percentage of total cost of services excluding direct labour costs attributable to our five largest suppliers amounted to approximately 31.1% and 20.1%, respectively. Our Directors confirm that all of our suppliers are Independent Third

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Parties. We are generally granted with credit terms by our suppliers ranging from 30 to 60 days after delivery of goods or performance of services. During the Track Record Period and up to the Latest Practicable Date, we did not encounter significant shortage or delay in the supply of the products and services we needed nor did we have any significant disputes with our suppliers.

Cost of services

Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables and direct overheads. Our total cost of services amounted to approximately HK\$328.9 million and HK\$363.9 million for the two years ended 31 December 2015 and 2016, respectively.

The table below sets forth a breakdown of our cost of services by type for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs ^(Note)	281,945	85.7	309,892	85.2
Vehicle expenses	34,382	10.5	37,665	10.3
Consumables	8,229	2.5	10,230	2.8
Direct overheads	4,338	1.3	6,143	1.7
Total	<u>328,894</u>	<u>100.0</u>	<u>363,930</u>	<u>100.0</u>

Note: Direct labour costs comprise the salaries and welfares of our frontline workers.

During the Track Record Period, the largest component of our cost of services was direct labour costs of our frontline workers, which mainly included salaries, contributions to retirement schemes and provisions for long service payment, representing approximately 85.7% and 85.2% of our total cost of services for the two years ended 31 December 2015 and 2016, respectively.

During the year ended 31 December 2016, our cost of services was approximately HK\$363.9 million, representing an increase of approximately HK\$35.0 million or approximately 10.7% as compared to the previous year. The increase in cost of services was mainly attributable to an increase in direct labour costs, which was in line with the increase in revenue during the year ended 31 December 2016.

During the year ended 31 December 2016, the direct labour costs increased by approximately 9.9% compared to that for the year ended 31 December 2015. Besides the full year effect of the increase of statutory minimum wage implemented since May 2015, the increase was mainly attributable to the commencement of our cleaning service contracts in Wanchai East, Wanchai West and Wong Tai Sin Districts during the year ended 31 December 2016 and the full year effect of our cleaning service contract in Southern

SUMMARY

District commenced in November 2015 but partially offset by the expiry of our cleaning service contracts in Sai Kung, Mongkok and Taipo Districts during the year ended 31 December 2016. Since our service contracts completed and commenced in different months during the year, the average number of employees, calculated on a quarterly basis, remained relatively constant at 2,747 and 2,821 during the two years ended 31 December 2016, respectively.

Further details on our suppliers are set forth in the paragraphs headed “Business — Suppliers and subcontractors” in this prospectus.

EMPLOYEES

As at 31 December 2015, 31 December 2016 and 31 May 2017, we had a total of 2,631, 2,263 and 2,558 employees, respectively (including both full time and part time employees). Our number of employees as at 31 December 2016 drops by 368 or approximately 14.0% when compared with that as at 31 December 2015. Such decrease is attributable to the expiry of our four large street cleaning service contracts in Sai Kung, Mongkok, Taipo Districts and Wong Tai Sin market during the year ended 31 December 2016. As at 31 December 2015, the total number of employees responsible for the aforesaid projects amounted to 844, whilst as at 31 December 2016, the total number of employees required for our new street cleaning service contracts in Wanchai East, Wanchai West and Wong Tai Sin Districts, which commenced during the year ended 31 December 2016, amounted to 520. Further details on our employees are set forth in the paragraphs headed “Business — Employees, staff training and development” in this prospectus.

RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group’s control. Our Group has categorized these risks and uncertainties into (i) risks relating to our business; (ii) risks relating to the industry in which we operate; and (iii) risks relating to the Share Offer and the Shares. The following highlights some of the risks which are considered to be material by our Directors:

- we derive our revenue mainly from contracts awarded through competitive tendering, we cannot guarantee that we can successfully renew our existing contracts upon their expiry or secure new contracts;
- our customer concentration is high, a loss of our largest customer may adversely affect our business operations and financial results;
- the payments charged by us are generally fixed contract sums without any adjustment mechanism. Our profitability may be adversely affected if costs overrun;
- increase in labour costs may adversely affect our profitability;
- any labour disputes or labour strikes affecting our labour force may have a material adverse effect on our reputation, business, results of operation and financial conditions; and

SUMMARY

- any litigation claims to which our Group is a party may not be covered by insurance and may have a material and adverse impact on our financial condition.

As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the section headed “Risk factors” in this prospectus in its entirety before you decide to invest in the Offer Shares.

SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE

The table below sets forth a summary of the audited combined financial information of our Group for the two years ended 31 December 2015 and 2016.

Combined statements of profit and loss and other comprehensive income

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	363,467	404,124
Cost of services	(328,894)	(363,930)
	34,573	40,194
Gross profit	34,573	40,194
Other income	369	645
Other gains and losses	(530)	(285)
Administration expenses	(12,737)	(17,667)
Listing expenses	–	(6,880)
Finance costs	(3,531)	(3,555)
	18,144	12,452
Profit before taxation	18,144	12,452
Income tax expense	(3,056)	(3,663)
	15,088	8,789
Profit and total comprehensive income for the year attributable to the owners of the Company	15,088	8,789

SUMMARY

Combined statements of financial position

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	40,737	53,744
Current assets	122,637	98,071
Total asset	163,374	151,815
Current liabilities	117,848	92,509
Non-current liabilities	19,252	24,243
Total liabilities	137,100	116,752
Net assets	26,274	35,063

Combined statements of cash flows

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	21,851	1,604
Net cash (used in) from investing activities	(30,225)	1,305
Net cash from (used in) financing activities	3,356	(13,671)
Net decrease in cash and cash equivalents	(5,018)	(10,762)
Cash and cash equivalents at the beginning of the year	20,404	15,386
Cash and cash equivalents at the end of the year	15,386	4,624

During the Track Record Period, we utilised our banking facilities, internal financial resources and amount due to related parties to finance our business operations. We had net cash generated from operating activities of HK\$21.9 million and HK\$1.6 million for the two years ended 31 December 2015 and 2016, respectively. We required cash primarily for general working capital needs and capital expenditure for purchasing the equipment and vehicles as disclosed in the section headed "Future plans and use of proceeds" in this prospectus. As at 31 December 2015 and 31 December 2016, we had bank balances and

SUMMARY

cash of HK\$15.4 million and HK\$4.6 million, respectively. Substantially all of our Group's bank balances and cash equivalents are held in Hong Kong dollars.

BANK BORROWINGS

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured and guaranteed bank overdrafts	1,895	3,950
Secured and guaranteed bank borrowings:		
Term loans	13,991	11,970
Loans from factoring of trade receivables with full recourse	54,448	30,640
Secured and unguaranteed borrowings	–	2,223
	70,334	48,783

As at 31 December 2015 and 31 December 2016, our borrowings (excluding secured bank overdrafts) amounted to approximately HK\$68.4 million and HK\$44.8 million respectively.

Further details on our historical financial performance are set forth in the section headed "Financial information" in this prospectus and the Accountants' Report in Appendix I to this prospectus.

Summary of key financial ratios

The following table sets forth certain financial ratios as at the dates indicated.

	Year ended 31 December	
	2015	2016
Gross profit margin ¹ (%)	9.5	9.9
Net profit margin ² (%)	4.2	3.9
Return on equity ³ (%)	57.4	44.7
Return on total assets ⁴ (%)	9.2	10.3
Interest coverage ⁵ (time)	6.1	6.4
	As at 31 December	
	2015	2016
Current ratio ⁶ (time)	1.0	1.1
Gearing ratio ⁷ (%)	74.4	66.8

SUMMARY

Notes:

1. Gross profit margin is based on gross profit divided by total revenue for the respective year and multiplied by 100%.
2. Net profit margin is calculated based on net profit (excluding Listing expenses) after tax for the respective year divided by total revenue for the respective year and multiplied by 100%.
3. Return on equity is calculated based on our net profit (excluding Listing expenses) after tax for the respective year divided by the total equity at the end of the year, multiplied by 100%.
4. Return on total assets is calculated based on our net profit (excluding Listing expenses) after tax for the respective year divided by the total assets at the end of the year, multiplied by 100%.
5. Interest coverage is calculated based on our net profit before interest and income taxes and one-off Listing expenses for the respective year divided by our finance cost for the same year.
6. Current ratio is calculated based on our current assets at the end of the year divided by our total current liabilities at the end of the respective year.
7. Gearing ratio is calculated based on net debt at the end of the respective year divided by total equity plus net debt and, multiplied by 100%. Net debt comprises interest-bearing bank loans, obligations under finance leases, amount due to a related party, deferred tax liabilities and tax payable, less bank balances and cash and pledged bank deposits.

Further details on our key financial ratios analysis during the Track Record period are set forth in the paragraphs headed “Financial information — Key financial ratios” in this prospectus.

PRE-IPO INVESTMENT

On 15 April 2016, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer for the consideration of HK\$12,000,000, which was determined with reference to the net asset value of Lapco Service, Shiny Glory and Shiny Hope and irrevocably settled and paid in full on 15 April 2016.

Subsequently, pursuant to the share swap agreement dated 14 June 2017 entered into amongst Champion Success, Magic Pioneer and our Company, Champion Success and Magic Pioneer transferred 800 and 200 shares in Sharp Idea, respectively held by them, representing the entire issued share capital of Sharp Idea, to our Company. In exchange therefor, our Company, at the direction of Champion Success and Magic Pioneer, credited one nil paid Share held by Gold Cavaliers as fully paid and further issued 299 and 20 fully paid Shares, respectively to Gold Cavaliers and Profound Wellness. Upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option), 300,000,000 Shares will be owned by Gold Cavaliers and accordingly, Magic Pioneer, through its approximately 21.33% interests in Gold Cavaliers, will be indirectly interested in approximately 15.99% of the entire issued share capital of our Company. Further details on the Pre-IPO Investment are set forth in the paragraphs headed “History, development and Reorganisation — Pre-IPO Investment” in this prospectus.

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SHAREHOLDING INFORMATION

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option), our Company will be owned as to 75% by Gold Cavaliers, which is owned as to 78.67% by the Lam Family Trust and 21.33% by Magic Pioneer. The Lam Family Trust was established by Mr. Lam and Ms. Wong as settlors, with Max Super acting as the trustee for the benefits of Mr. Lam and Ms. Wong. Magic Pioneer is owned as to 34% by Earnmill Holdings Limited, as to 33% by Croydon Capital Advisors Limited and as to 33% by Mr. Xiong Jianrui. Croydon Capital Advisors Limited is wholly owned by Mr. Choi Chung Yin, our non-executive Director. Earnmill Holdings Limited is equally owned by TTNB Profit Limited, which is in turn wholly owned by Mr. Tam Wai Tong, and Kiteway Assets Limited, which is in turn wholly owned by Mr. Tam Wai Ho.

Accordingly, each member of Gold Cavaliers, Max Super, Mr. Lam, Ms. Wong, Magic Pioneer, Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong, Mr. Tam Wai Ho, Croydon Capital Advisors Limited, Earnmill Holdings Limited, TTNB Profit Limited, and Kiteway Assets Limited, or together as a group, will become our Group of Controlling Shareholders under the GEM Listing Rules.

Our Group has entered into three transactions in relation to tenancy agreements with LES Limited, CCT Limited and Source Mega who are connected persons of our Company, which will continue after the Listing and fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements. Further details on the continuing connected transactions are set forth in the section headed "Continuing connected transactions" in this prospectus.

SELLING SHAREHOLDER

Profound Wellness is the Selling Shareholder which will offer 20,000,000 Sale Shares at the Offer Price as part of the Placing, representing 5% of the total issued share capital of our Company immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option). The 20,000,000 Sale Shares shall be regarded as part of the public float for the purposes of the GEM Listing Rules. Further details on the Selling Shareholder are set forth in the paragraphs headed "Other information — 16. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.

DIVIDEND

During the year ended 31 December 2015, Lapco Service and Shiny Hope declared dividends of HK\$8.8 million and HK\$8.0 million, respectively to Mr. Lam and Shiny Glory declared HK\$4.0 million to Ms. Wong. The dividends of approximately HK\$20.8 million in aggregate were settled through offsetting with the amounts due from Mr. Lam for the year ended 31 December 2015.

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Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial condition, statutory and regulatory restrictions and other factors that we may consider relevant, and is subject to the discretion of our Directors and shareholders' approval. As at the Latest Practicable Date, our Company does not have a dividend policy. Further details on our dividend are set forth in the paragraphs headed "Financial information — Dividend" in this prospectus.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had the following material non-compliance incidents: (i) the allegedly doubtful information contained in Form-IR56B *Employer's Return of Remuneration and Pensions* and Form-IR56F *Notification By An Employer Of An Employee Who Is About To Cease To Be Employed* for the years ended 31 March 2014 and 2015; and (ii) the breach of restrictive land use clauses under the relevant tenancy agreements, the permitted usage under the relevant deed of mutual covenant and occupation permit of our existing office premises and (iii) delay in notification of chargeability of profits tax for the year of assessment 2014/15. Further details on our material non-compliance incidents are set forth in the paragraphs headed "Business — Regulatory non-compliance" in this prospectus.

LITIGATIONS AND CLAIMS

As at the Latest Practicable Date, there were 30 ongoing cases against our Group of which 15 were employees' compensation cases, 14 were personal injury cases and one was other litigation case. Out of these 30 cases, there were 21 cases with amounts claimed yet to be assessed by the court and one case with amount claimed to be filed by the plaintiff. Among the rest of the eight cases, the aggregate amount claimed amounted to approximately HK\$4.3 million plus interest. Our Directors expect that all of these ongoing cases will be fully covered by our insurance policy.

Our Directors confirm that, as at the Latest Practicable Date, there were 14 employees' compensation cases which will be settled by our Group's employees' compensation insurance but still possible for the subject persons to commence common law personal injury legal actions against our Group. As at the Latest Practicable Date, the total amount claimed for the said 14 employees' compensation cases are to be assessed by the court, such amount as well as the potential amount claimed under relevant common law personal injury actions are fully covered by our insurance policies in effect (subject to the policy excess payable thereunder by our Group). Further details on the policy excess under the insurance policies effected by our Group for the relevant periods are set forth in the paragraphs headed "Business — Insurance — Employees' compensation insurance" of this prospectus.

During the Track Record Period and up to 30 April 2017, there were 57 reported cases on workplace injury during our usual and ordinary course of business but no further action has been commenced. Further details on the litigations are set forth in the paragraphs headed "Business — Litigations and claims" in this prospectus.

SUMMARY

OFFER STATISTICS

Number of Offer Shares:	100,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares:	90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option), comprising 70,000,000 New Shares and 20,000,000 Sale Shares
Number of Public Offer Shares:	10,000,000 Shares (subject to reallocation)
Offer Size Adjustment Option:	15,000,000 Shares
Offer Price:	HK\$0.5 per Offer Share
Board lot:	5,000 Shares

All statistics in the following tables are based on the assumptions that (i) the Offer has been completed on 31 December 2016 and 100,000,000 Shares are issued or purchased pursuant to the Share Offer; and (ii) no Share is issued pursuant to the Offer Size Adjustment Option.

	Based on the Offer Price of HK\$0.5
Market capitalisation	HK\$200 million
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of our Company as at 31 December 2016 per Share	HK\$0.15

Further details on assumptions and the calculation are set forth in Appendix II to this prospectus.

LISTING EXPENSES

The estimated Listing expenses, which are non-recurring in nature, are in aggregate approximately HK\$20.2 million, which will be borne by our Group (excluding the underwriting commission and Listing expenses of the Sale Shares of approximately HK\$1.0 million, which will be borne by the Selling Shareholder), of which approximately HK\$4.3 million is directly attributable to the issue of New Shares in the Listing and to be accounted for as a deduction from equity. The remaining estimated Listing expenses of approximately HK\$8.0 million will be charged to the combined statements of profit or loss and other comprehensive income upon Listing.

The Listing expenses of approximately HK\$6.9 million were recognised during the year ended 31 December 2016. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined

SUMMARY

statements of comprehensive income of our Group for the year ending 31 December 2017 and onwards is subject to adjustment based on audit and the then changes in variables and assumptions.

REASONS FOR THE LISTING AND USE OF PROCEEDS

Our Directors believe that the Listing will provide our Group with financial resources for the execution of our business strategies and future plans as stated in the section headed “Business — Business strategies and future plans” and strengthen our competitiveness in the market.

As at 30 April 2017, the unutilised banking facilities of our Group of approximately HK\$71.0 million comprised (i) overdraft facility of approximately HK\$3.5 million; (ii) factoring facility of approximately HK\$66.1 million; and (iii) guarantee line facility of approximately HK\$1.4 million. The factoring facility allows us to cash in upon the presentation of service fee invoices to the banks, the proceeds from which are mainly applied for payment of staff costs. Our customers would then directly make payments to the designated bank accounts. The guarantee line facility is mainly drawn down for security of due performance as required under our service contracts, which is generally at a rate ranging from 2% to 5% of the total contract sum to our public sector customers and at a sum equivalent to one month’s service payment of the relevant contracts to our private sector customers. As at 31 December 2015, 31 December 2016 and 30 April 2017, the aggregate amount of performance guarantee maintained in favour of our customers were approximately HK\$49.0 million, HK\$50.7 million and HK\$63.3 million, respectively. Accordingly, the unutilized overdraft facility, which is readily available for drawdown, amounted to HK\$3.5 million only as at 30 April 2017, together with our bank balance and cash of approximately HK\$11.5 million as at 30 April 2017, is not sufficient for financing the Group’s expansion plan as disclosed in the section headed “Future plans and use of proceeds” in this prospectus.

Our Directors also believe that the Listing could (i) broaden our brand recognition and raise our corporate profile and (ii) provide direct access to the capital market for equity and/or debt financing to fund our current business operations and our future plans. In addition, our Listing status could attract strategic investors for investment and form strategic partnerships directly with us for future expansion. Moreover, our Directors are of the view that through the Listing, our corporate governance practices could be further enhanced.

Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses payable by our Group in connection with the Listing, but assuming

SUMMARY

the Offer Size Adjustment Option is not exercised) will be approximately HK\$20.8 million. The net proceeds of approximately HK\$9.0 million to be received by the Selling Shareholder from the sale of the Sale Shares will not be available to our Group. We intend that the net proceeds will be applied as follows:

	31 December		30 June		For the six months ending				31 December		Total	
	2017		2018		2018		2019		2019		HK\$	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%
Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong												
- procure additional vehicles	2.0	9.6	3.0	14.4	2.0	9.6	3.0	14.5	-	-	10.0	48.1
- procure additional equipment	0.33	1.6	0.33	1.6	0.34	1.6	-	-	-	-	1.0	4.8
- hire additional staff	0.4	1.9	0.4	1.9	0.4	1.9	0.4	2.0	-	-	1.6	7.7
Subtotal	<u>2.73</u>	<u>13.1</u>	<u>3.73</u>	<u>17.9</u>	<u>2.74</u>	<u>13.1</u>	<u>3.4</u>	<u>16.5</u>	<u>-</u>	<u>-</u>	<u>12.6</u>	<u>60.6</u>
Enhance information technology application system to enhance operational efficiency	-	-	1.5	7.2	1.5	7.2	-	-	-	-	3.0	14.4
Repay a bank loan	3.2	15.4	-	-	-	-	-	-	-	-	3.2	15.4
General working capital	0.4	1.9	0.4	1.9	0.4	1.9	0.4	1.9	0.4	2.0	2.0	9.6
Total	<u>6.33</u>	<u>30.4</u>	<u>5.63</u>	<u>27.0</u>	<u>4.64</u>	<u>22.2</u>	<u>3.8</u>	<u>18.4</u>	<u>0.4</u>	<u>2.0</u>	<u>20.8</u>	<u>100.0</u>

Further details on our use of proceeds are set forth in the section headed “Future plans and use of proceeds” in this prospectus.

RECENT DEVELOPMENTS OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had been awarded with 13 new contracts with aggregate contract sum amounted to HK\$278.9 million, 8 of which were awarded by our public sector customers with contractual terms ranging from two to five years and five of which were awarded by our private sector customers for cleaning services with contractual terms ranging from one to two years. The aggregate contract sum for such newly awarded public sector contracts and private sector customers amounted to approximately HK\$265.6 million and HK\$13.3 million, respectively.

SUMMARY

As at 30 April 2017, we had successfully collected approximately HK\$72.0 million, or 99.3% of the outstanding balance of our trade receivables as at 31 December 2016. As at 30 April 2017, approximately HK\$3.1 million or 100.0% of our trade payables outstanding as of 31 December 2016 were paid.

As at 31 May 2017, we had 49 unexpired service contracts on hand and the approximate aggregate contract value to be recognised on or before 31 December 2017, on or before 31 December 2018 and after 1 January 2019 is HK\$387.3 million, HK\$181.2 million and HK\$97.2 million, respectively.

NO MATERIAL ADVERSE CHANGE

Except for the Listing expenses for the year ending 31 December 2017, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date of our last audited financial statements as set forth in Appendix I to this prospectus, and up to the date of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“ACI”	Accredited Certification International Limited, a company which provides third party management certification services in ISO 9001, ISO 14001, ISO 50001 and ISO 18001
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 24 June 2017 to take effect on the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of 319,999,680 Shares to be made upon capitalisation of the amount of HK\$3,199,996.80 standing to the credit of the share premium account of our Company as referred to in the paragraphs headed “Further information about our Company — 3. Resolutions of our Shareholders” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CCT Limited”	CCT Limited (事事達有限公司), formerly known as Champion Cleaning Transport Company Limited (卓士清潔服務有限公司), a company incorporated in Hong Kong with limited liability on 17 December 2010, wholly owned by Ms. Wong, and is a connected person of our Company
“Champion Success”	Champion Success Development Limited (興天發展有限公司), a company incorporated in Hong Kong on 8 January 2016 with limited liability
China Industrial Securities	China Industrial Securities International Capital Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO, acting as one of the joint bookrunners and joint lead managers
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance” or “Predecessor Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company”, “us” or “we”	Lapco Holdings Limited, an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 12 August 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Group of Controlling Shareholders”	have the meaning ascribed to it under the GEM Listing Rules and in the context of our Company, refers to each member of our group of controlling shareholders, i.e. Gold Cavaliers, Max Super, Mr. Lam, Ms. Wong, Magic Pioneer, Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong, Mr. Tam Wai Ho, Croydon Capital Advisors Limited, Earnmill Holdings Limited, TTNB Profit Limited, and Kiteway Assets Limited. The shareholding of each member of our Group of Controlling Shareholders in our Company immediately following completion of the Reorganisation, the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option) are set forth in the section headed “History, development and Reorganisation” in this prospectus
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 24 June 2017 executed by Indemnifiers in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities as more particularly set out in the paragraphs headed “Other information — 1. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 24 June 2017 executed by our Group of Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), regarding the non-competition undertakings as more particularly set out in the paragraphs headed “Relationship with our Group of Controlling Shareholders — Non-competition undertaking” in this prospectus
“Director(s)”	director(s) of our Company

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“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
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“EPD”	the Environmental Protection Department of the HK Government
“F&S Report”	an independent market report commissioned by us and prepared by Frost & Sullivan on the environmental hygiene service industry in Hong Kong, an extract of which is set forth in the section headed “Industry overview” in this prospectus
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FEHD”	the Food and Environmental Hygiene Department of the HK Government
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research institution
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Gold Cavaliers”	Gold Cavaliers International Limited, a company incorporated in the BVI on 11 August 2016 with limited liability, being a member of our Group of Controlling Shareholders
Great Roc Capital	Great Roc Capital Securities Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO, acting as the sole global coordinator and one of the joint bookrunners and joint lead managers

DEFINITIONS

“Group”, “we”, “our Group” or “us”	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Government”	the government of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company 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 Legal Counsel”	Ms. Queenie W. S. Ng, barrister-at-law in Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Indemnifier(s)”	Gold Cavaliers, Max Super, Mr. Lam, Ms. Wong, Mr. Choi Chung Yin
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected person(s) of our Company
“Inland Revenue Ordinance”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“IRD”	the Inland Revenue Department of the HK Government
“Joint Bookrunners” or “Joint Lead Managers”	China Industrial Securities and Great Roc Capital
“Lam Family Trust”	the discretionary family trust established on 8 August 2016 by Mr. Lam and Ms. Wong as settlors, with Max Super acting as the trustee and Mr. Lam and Ms. Wong as the beneficiaries

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“Lapco Service”	Lapco Service Limited (立高服務有限公司), formerly known as Champion Cleaning Company Limited (卓士清潔有限公司), a company incorporated in Hong Kong with limited liability on 14 May 1999 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	21 June 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“LCSD”	the Leisure and Cultural Services Department of the HK Government
“LES Limited”	LES Limited (利是物業有限公司), formerly known as Lapco Environmental Service Limited (立高環保滅蟲有限公司), Lapco Environmental Service Limited (立高環保服務有限公司), a company incorporated in Hong Kong with limited liability on 5 December 2007, wholly owned by Mr. Lam and is a connected person of our Company
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date, expected to be on or about 18 July 2017 (Tuesday), on which dealings in the Shares first commence on GEM
“Magic Pioneer”	Magic Pioneer Limited, a company incorporated in BVI on 31 January 2000 with limited liability, being one of the shareholders of Gold Cavaliers and a member of our Group of Controlling Shareholders
“Max Super”	Max Super Holdings Limited, a company incorporated in BVI on 6 July 2016 with limited liability, being the trustee of the Lam Family Trust and being a member of our Group of Controlling Shareholders
“Memorandum”	the memorandum of association of our Company adopted on 12 August 2016, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“MPF Ordinance”	the Mandatory Provident Fund Schemes Ordinance, (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“MPF Scheme”	pursuant to the MPF Ordinance, an employer is required to participate in a mandatory provident fund scheme for employees employed under the Employees’ Compensation Ordinance
“Mr. Lam”	Mr. Lam Pak Ling (林柏齡先生), our founder, chairman, executive Director, chief executive officer and a member of our Group of Controlling Shareholders
“Ms. Wong”	Ms. Wong Siu Fan, Beatrice (黃小芬女士), a member of our senior management and a member of our Group of Controlling Shareholders
“New Shares”	the 70,000,000 Shares being initially offered by our Company for subscription under the Placing and the 10,000,000 Shares being initially offered by our Company for subscription under the Public Offer
“Occupational Safety and Health Ordinance”	the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Offer Price”	the price of HK\$0.5 per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer
“Offer Shares”	the Placing Shares and Public Offer Shares

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“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Placing Underwriters exercisable by the Joint Lead Managers (for themselves and on behalf of the Underwriters) pursuant to which our Company may be required to allot and issue up to 15,000,000 additional New Shares, representing 15% of the initial number of our Offer Shares, to, among other things, cover over-allocations in the Placing, further information of which is set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Pesticides Ordinance”	the Pesticides Ordinance (Chapter 133 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company and the Selling Shareholder for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 90,000,000 Shares (comprising 70,000,000 New Shares and 20,000,000 Sale Shares) being initially offered by our Company for subscription under the Placing, subject to reallocation and the Offer Size Adjustment Option 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
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and to be entered into by our Company, our Group of Controlling Shareholders, the executive Directors, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Pre-IPO Investment”	the pre-IPO investment pursuant to the pre-IPO investment agreement dated 7 April 2016 and supplemental pre-IPO investment agreement dated 15 April 2016, pursuant to which Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer at the consideration of HK\$12,000,000, details of which are set forth in the paragraphs headed “History, development and Reorganisation — Pre-IPO Investment” in this prospectus
“Prime Rich”	Prime Rich (Asia) Limited (栢達(亞洲)有限公司), a company incorporated in Hong Kong on 20 March 2007 with limited liability
“Profound Wellness”	Profound Wellness Holdings Limited, a company incorporated in the BVI on 11 August 2016 and is owned as to approximately 66.7% and 33.3% by Mr. Lam and Ms. Wong, respectively
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	the 10,000,000 new Shares initially offered by our Company for subscription under 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 as set forth in section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 June 2017 relating to the Public Offer entered into between our Company, our Group of Controlling Shareholders, the executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set forth in the paragraphs headed “History, development and Reorganisation — Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 20,000,000 Shares being initially offered by the Selling Shareholder for purchase under the Placing
“Selling Shareholder”	Profound Wellness, further details of which are set forth in the paragraphs headed “Other information — 16. Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Placing and the Public Offer
“Shareholder(s)”	holder(s) of the Share(s)
“Sharp Idea”	Sharp Idea Global Limited (鋒意環球有限公司), a company incorporated in BVI with limited liability on 1 April 2016 and a direct wholly-owned subsidiary of our Company
“Shiny Glory”	Shiny Glory Services Limited (丞美服務有限公司), formerly known as Lux Cleaning Transport Company Limited (力士清潔服務有限公司), Luxury Cleaning Services Company Limited (力仕清潔服務有限公司), Champion Cleaning Transport Company Limited (卓士清潔服務有限公司), a company incorporated in Hong Kong with limited liability on 30 November 1990 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Shiny Hope”	Shiny Hope Limited (亮豪有限公司), a company incorporated in Hong Kong with limited liability on 15 June 2006 and an indirect wholly-owned subsidiary of our Company
“Sole Global Coordinator”	Great Roc Capital
“Sole Sponsor”	Octal Capital Limited, being the sole sponsor to the Listing and a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity as defined in the SFO
“Source Mega”	Source Mega Inc Limited (丰源有限公司), a company incorporated in Hong Kong with limited liability on 18 May 2015, wholly owned by Ms. Wong and is a connected person of our Company
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“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 two financial years ended 31 December 2015 and 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the U.S.

DEFINITIONS

“Waste Disposal Ordinance”	the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who requires such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. Some of these terms may not correspond to standard industry definitions.

“GPS”	global positioning system
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance to reach objectives relating to quality or meeting customer needs
“ISO 14001”	an internationally recognised standard for an environmental management system. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“OHSAS 18001”	an internationally recognised Occupation Health and Safety Assessment Series, a specification for occupational health and safety management system. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- (a) our business strategies and plans of operation;
- (b) our capital expenditure plans;
- (c) the amount and nature of, and potential for, future development of our business;
- (d) our operations and business prospects;
- (e) our dividend policy;
- (f) planned projects;
- (g) the regulatory environment of our industry in general;
- (h) future development in our industry;
- (i) the global and domestic economy; and
- (j) the environmental services market.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly 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 this cautionary statement.

RISK FACTORS

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

We derive our revenue mainly from contracts awarded through competitive tendering, we cannot guarantee that we can successfully renew our existing contracts upon their expiry or secure new contracts.

We derive our revenue mainly from contracts awarded through competitive tendering. For the two years ended 31 December 2015 and 2016, the percentage of revenue derived from contracts awarded through tendering were approximately 99.0% and 99.2%, respectively. In respect of our public sector customers, we had a tender/quotation success rate of 24.2% and 24.6% for the two years ended 31 December 2015 and 2016, respectively. In respect of our private sector customers, we had a tender/quotation success rate of 19.2% and 17.5% for the two years ended 31 December 2015 and 2016, respectively. We are required to submit new tenders upon expiry of the existing contracts and to bid for new contracts from time to time.

So far as our Directors are aware, most of our customers have maintained an evaluation system on their environmental hygiene service providers to ensure that they meet the required standards of legal compliance, quality of services and financial capability, etc. We may not be able to meet the requirements of our customers' evaluation systems, in which case our customers may not invite us to submit tender again prior to expiry of our existing contracts. Further, even if we participate in tendering of existing and new customers from time to time, we cannot assure you that our tenders would be selected by customers and the terms and conditions of the new contracts would be comparable to the existing contracts. In view of the competitiveness of the tendering process, we may have to offer a more competitive price and/or more favourable terms to customers in order to be awarded the contract. If we are unable to control our costs accordingly, our financial results and profitability would be adversely affected.

Our customer concentration is high, a loss of our largest customer may adversely affect our business operations and financial results.

For the two years ended 31 December 2015 and 2016, revenue generated from our five largest customers were approximately HK\$349.6 million and HK\$386.8 million, representing approximately 96.2% and 95.7% of our total revenue, respectively. In particular, we generated approximately HK\$294.7 million and HK\$315.7 million from our largest customer, a department of the HK Government responsible for food and environmental hygiene, representing approximately 81.1% and 78.1% of our total revenue, respectively.

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Our customers may terminate their business relationships with us upon expiry of the existing service contracts and they are not obliged to make us aware of or invite us to participate in the tendering or quotation process. We cannot assure you that our five largest customers, in particular our largest customer, a department of the HK Government responsible for food and environmental hygiene, will maintain current business relationship with us upon the expiry of our existing service contracts. If they choose not to do so or if they significantly reduce the level of services required from us, we may not be able to find other customers to recoup the loss of revenue. As a result, our business operations, financial results and profitability may be adversely affected.

The payments charged by us are generally fixed contract sums without any adjustment mechanism. Our profitability may be adversely affected if costs overrun.

The payments charged by us are generally fixed contract sums without any adjustment mechanism. Once the service fee is agreed with customers, we could only adjust the service fee under limited circumstances such as addition or reduction of service scope. Accordingly, we bear the risk of cost fluctuations. The contractual terms of our contracts generally ranges from one to five years. We cannot assure you that the costs estimated at the time of signing a contract will not overrun during the course of the contractual terms, as a result of, such as, (a) inaccurate estimation of costs; (b) increase in direct labour costs and materials; (c) change in regulatory regime; (d) labour disputes; and (e) unforeseen circumstances. If we are unable to control costs as estimated, our business operations, financial results and profitability may be adversely affected.

Increase in labour costs may adversely affect our profitability.

We are regulated by, among others, the Minimum Wage Ordinance, which came into force on 1 May 2011 with the initial statutory minimum wage rate of HK\$28 per hour. It was raised to HK\$30 per hour with effect from 1 May 2013 and was raised to HK\$32.5 per hour and HK\$34.5 per hour with effect from 1 May 2015 and 1 May 2017, respectively. As at 31 December 2015, 31 December 2016 and 31 May 2017, we had a total of 2,631, 2,263 and 2,558 employees (including both full-time and part-time), respectively, among whom, 2,604, 2,224 and 2,519 employees were frontline workers for provision of cleaning, pest management, waste management and recycling and landscaping services. For the two years ended 31 December 2015 and 2016, our direct labour costs amounted to approximately HK\$281.9 million and HK\$309.9 million, representing approximately 85.7% and 85.2% of our cost of services, respectively. During the Track Record Period, our direct labour costs increased by approximately 9.9%. Our Directors expect that our direct labour costs will continue to represent a significant percentage of our total cost of services.

We cannot assure you that the statutory minimum wage rate will not be further revised upward in the future. In particular, the Minimum Wage Ordinance provides that the statutory minimum wage in Hong Kong is reviewed at least once every two years. Any further increments in the statutory minimum wage will increase our labour costs and thereby reducing profit margins. According to Frost & Sullivan, there was a general upward trend for the average monthly wages of workers, which grew from HK\$6,506.3 in 2011 to HK\$8,449.7 in 2016 at a CAGR of approximately 5.37%. Further details are set forth in the paragraphs headed "Industry overview — Overview of the environmental hygiene

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service industry in Hong Kong” in this prospectus. Further details on sensitivity analysis on the impact of changes in our direct labour costs on our profit during the Track Record Period are set forth in the paragraphs headed “Financial information — Major factors affecting our financial condition and results of operations” in this prospectus. If we are unable to adequately increase our service fees so as to pass all the increase in direct labour costs onto our customers, our business operations, financial results and profitability may be materially and adversely affected.

Any labour disputes or labour strikes affecting our labour force may have a material adverse effect on our reputation, business, results of operation and financial conditions.

We are engaged in a labour intensive industry which may be subject to the risk of labour disputes and labour strikes. We encountered a labour strike incident on 9 November 2016, which resulted in a temporary suspension of cleaning service in Southern District on that day. Further details are set forth in the section headed “Business — Employees, staff training and development — Labour strikes”. Our employees might be involved in labour disputes or labour strikes for various reasons, such as requesting for better employment terms or better compensation for injuries sustained during course of work. We cannot guarantee that our employees will not go on strikes. These potential disputes and labour strike could result in work stoppage and suspension of our services or other events that could disrupt our operations, which could have a material adverse effect on our reputation, business, results of operation and financial conditions.

If we fail to meet the requirements of our contracts or quality standards of our customers, we may experience difficulty in collecting performance guarantee.

We are responsible for the quality of services provided by our staff. We are generally required to provide performance guarantee at a rate ranging from 2% to 5% of the total contract sum to our public sector customers and at a sum equivalent to one month’s service payment of the relevant contracts to our private sector customers as security for due performance of our contractual obligations. As at 31 December 2015, 31 December 2016 and 30 April 2017, the aggregate amount of performance guarantee maintained in favour of our customers were approximately HK\$49.0 million, HK\$50.7 million and HK\$63.3 million, respectively. If we fail to meet the requirements of our contracts or quality standards of our customers, we may be liable to compensate our customers for losses and damages caused by delay or non-performance. Furthermore, our customers may be entitled to retain performance guarantee maintained in their favour. Any delay or failure in collecting performance guarantee may have a material and adverse effect on our cash flow and financial position.

Any litigation claims to which our Group is a party may not be covered by insurance and may have a material and adverse impact on our financial condition.

Employees of our Group are susceptible to workplace accidents and injuries as they are required to undertake certain tasks including but not limited to (a) working at height or on slippery floor; (b) operation of site equipment; (c) lifting of heavy objects; (d) use of corrosive and inflammable chemicals; and (e) working in environments containing dust, dirt, viruses and bacteria. We cannot guarantee that our employees of our Group will fully

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comply with the safety measures during their execution of work. If they do not, incidents of personal injuries, property damage or fatal accidents may occur more frequently.

Employees of our Group who suffer bodily injury or death as a result of accidents or contract occupational diseases arising out of and in the course of their employment with our Group are entitled to claim damages under the Employees' Compensation Ordinance as well as under the common law. Our Group may also become liable to third parties who suffer personal injuries in workplace where we provide our services.

As at the Latest Practicable Date, the coverage of our employees' compensation insurance policy is HK\$200 million per event and the coverage of our public liability insurance policy is HK\$20 million to HK\$30 million per incident. The employees' compensation insurance policy currently effective generally covers the full amount of valid employees' compensation claims. Pursuant to the public liability insurance policy currently effective, our Group is generally responsible for the first HK\$50,000 (or 10% of such loss, whichever is greater in case of water damage to properties) for each claim while the insurer shall be liable to pay the excess amount after deduction of the said HK\$50,000 (or 10% of such loss, whichever is greater in case of water damage to properties) in respect of the compensation indemnifiable under the policy.

As at the Latest Practicable Date, there were 30 ongoing cases against our Group of which 15 were employees' compensation cases, 14 were personal injury cases and one was other litigation case. Out of these 30 cases, there were 21 cases with amounts claimed yet to be assessed by the court and one case with amount claimed to be filed by the plaintiff. Among the rest of the eight cases, the aggregate amount claimed amounted to approximately HK\$4.3 million plus interest. Our Directors expect that all of these ongoing cases will be fully covered by our insurance policy.

In relation to potential litigations, our Directors confirm that, as at the Latest Practicable Date, there were 14 employees' compensation cases which will be settled by our Group's employees' compensation insurance but still possible for the subject persons to commence common law personal injury legal actions against our Group. In addition, during the Track Record Period and up to 30 April 2017, there were 57 reported cases on workplace injury arising during usual and ordinary course of business of our Group but no further action has been commenced in respect of such cases after the reporting.

During the Track Record Period and up to the Latest Practicable Date, our Group had settled 15 litigation claims (including five employees' compensation cases and 10 personal injuries actions) with an aggregate settlement amount of approximately HK\$3.0 million, out of which approximately HK\$0.4 million was borne by our Group pursuant to the policy excess under the relevant insurance policies in effect. Further details on our Group's ongoing, potential and settled litigations and claims are set forth in the paragraphs headed "Business — Litigations and claims" in this prospectus.

We cannot assure you that our insurance policies will fully cover our Group against our liability under all litigations and claims and that we will not need to pay additional compensation out of our own resources for these litigations and claims. Our Group may also become involved in litigations relating to, among other things, labour disputes with

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our employees and contractual disputes with our customers. Furthermore, regardless of the merits of cases, our Group may need to spend resources and incur costs to handle these claims, and these claims may also affect our reputation in the environmental hygiene service industry, therefore adversely affect our business operations, financial results and profitability.

Our insurance costs accounted for a significant portion of our direct overheads and any reduction or limitation of insurance coverage by our insurers may materially and adversely affect our business operations and financial results.

We have maintained insurance policies as required by Hong Kong law or our customers to cover our Group's liability arising from our business operations. For the two years ended 31 December 2015 and 2016, the aggregate expenses of our employees' compensation insurance and public liability insurance were approximately HK\$2.4 million and HK\$3.3 million, representing approximately 55.2% and 54.2% of our direct overheads, respectively. In addition, if there is any reduction or limitation of insurance coverage by our insurers upon the expiry of our current insurance policies, we are not in a position to control such reduction or limitation of insurance coverage due to our relatively low bargaining power. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction or limitation in insurance coverage may materially and adversely affect our business operations and financial results.

Our insurance coverage may be insufficient to protect us against potential liabilities arising in the course of operations.

We have not maintained insurance policies against all risks associated with our business, such as insurance on our office and warehouse premises because our Directors have deemed it commercially unfeasible to do so. Our business, financial position and results of operations could be materially and adversely affected if an incident occurs in relation to which we have inadequate insurance coverage. In addition, we cannot assure that we will be able to renew the existing insurance policies including employees' compensation insurance and public liability insurance on commercially reasonable terms.

Our top five suppliers accounted for a substantial portion of our purchases.

During the Track Record Period, our suppliers of goods and services include vehicles dealers, material and equipment suppliers, fuel suppliers and subcontractors.

Our top five suppliers accounted for approximately 31.1% and 20.1% of our total cost of services (excluding direct labour costs) for the two years ended 31 December 2015 and 2016, respectively, among which, approximately 15.6% and 5.9% of our total cost of services (excluding direct labour costs) were attributable to our largest supplier, respectively. If any of our top suppliers substantially reduces the amount of goods or services provided to us or terminates the business relationship with us, and that we are unable to secure supply from alternate suppliers in replacement at all or on commercially comparable terms, our operation and financial performances may be adversely affected.

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We may incur substantial indebtedness in the future, which may adversely affect our financial condition.

We may not be able to meet our operating cash outflow as they become due. As such, we may incur indebtedness from time to time in order to fund our working capital needs. As at 31 December 2015, 31 December 2016 and 30 April 2017, our bank borrowings (excluding secured bank overdrafts) amounted to approximately HK\$68.4 million, HK\$44.8 million and HK\$32.3 million, respectively. Further details are set forth in the paragraphs headed “Financial information — Indebtedness” in this prospectus. We may be required to set aside certain portion of our cash generated from operating activities to repay our indebtedness, thereby reducing our cash to finance our operations. Moreover, any substantial indebtedness may increase our difficulty and costs in borrowing additional funds in the future. This may hinder our ability to expand our business operations and growth, which will in turn have a material adverse effect on our financial condition and prospects.

We face liquidity risk in relation to working capital requirements associated with undertaking contract works.

When undertaking contract works, there are often time lags between making payments to our employees and receiving payments from our customers, resulting in cash flow mismatch. We pay salaries to our full-time employees within seven days after the end of each month and our part-time employees within seven days after the completion of their work. On the other hand, we generally grant a credit term ranging from 60 days to 90 days for our customers depending on their creditworthiness. For our contract works with HK Government as our customer, before it settles our invoices, we are required to substantiate that all our workers have been paid no less than the wages as specified in the tender contracts and in accordance with relevant laws and regulations. Moreover, payment will be only made by the HK Government upon certification by the inspecting officer that our services have been performed in accordance with the terms and conditions of the tender contract to its satisfaction.

However, we cannot assure you that our customers will settle our payment on time and in full. For the two years ended 31 December 2015 and 2016, our trade receivables turnover days were approximately 81.3 days and 71.6 days, respectively, further details of which are set forth in the paragraphs headed “Financial information — Discussion on major items of the combined statements of financial position” in this prospectus. Any delay in collecting our trade receivables could materially and adversely affect our cash flows and financial position.

Further, we are generally required to provide performance guarantee at a rate ranging from 2% to 5% of the total contract sum to our public sector customers and at a sum equivalent to one month’s service payment of the relevant contracts to our private sector customers as security for due performance of our contractual obligations. This would result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. Further details are set forth in the paragraphs headed “Business — Customers — General terms of contracts with our customers” in this prospectus.

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

We rely on our key management and our ability to attract and retain suitable staff for our business operations and business growth and we experienced a high staff turnover rate during the Track Record Period. Any labour shortage may adversely affect our business operations.

Our success is attributable to the leadership and contributions of our management team. In particular, Mr. Lam, our founder, chairman, executive Director, chief executive officer, and Ms. Wong, a member of our senior management, have over 26 and 25 years of experience, respectively, in the environmental hygiene service industry, as set forth in the section headed “Directors and senior management” in this prospectus. Our continued success is therefore dependent to a large extent on our ability to retain the services of our management team. Any unanticipated departure of our management team members without appropriate replacements may have a material adverse impact on our business operations and profitability.

In addition, according to Frost & Sullivan, high working hours and heavy workload could lead to high occupational mobility and hence labour shortage within the industry, which could be further intensified by the introduction of the statutory minimum wage policy as workers now have more choices and are more willing to take less intense but similar paying jobs such as security guard. As the industry demands for more labour to meet customer needs, labour shortage imposes great challenges and threats on environmental hygiene service companies. In view of the labour intensive nature of our business operation, if we fail to maintain adequate labour force, or fail to control the quality of the work done by our employees, our business operations or reputation may be adversely affected.

Our Group and our employees may fail to renew or maintain the requisite certifications necessary for the provision of our environmental hygiene services, which will affect our ability to obtain new projects and our financial position.

As set forth in the paragraphs headed “Business — Employees, staff training and development” in this prospectus, as at the Latest Practicable Date, our Group and our employees held a number of certifications necessary for the provision of our environmental hygiene services. Some of these certifications have different valid periods. Our Directors believe that the renewal of these certifications are subject to continual compliance with various standards such as workplace safety and we cannot assure you that our Group and our employees will be able to comply with such standards from time to time. There are certain circumstances under which such certifications could be suspended by the issuing authorities or governing authorities such as Occupational Safety and Health Council and Construction Industry Council. If our Group and our employees are unable to renew or otherwise maintain their licences, permits or certifications, our ability to obtain new projects and our financial position could be materially and adversely affected.

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We are subject to laws and regulations relating to health and safety protection of our employees and any breach of laws and regulations may adversely affect our reputation and results of operations.

As set forth in the section headed “Regulatory overview” in this prospectus, we are regulated by, among others, the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance, which require employers to, among others, provide and maintain a safe system of work for their employees. We cannot assure you that we will be able to comply with the laws and regulations relating to health and safety protection of our employees in all our workplaces at all times. Any breach of laws and regulations may lead to prosecution by the HK Government and expose us to penalty, and our reputation and results of operations may be adversely affected.

Our Group is subject to the impact of changes in laws, policies and regulations on environmental hygiene which might have unfavourable impact on the demand of our services

Changes in laws, policies and regulations on environmental hygiene may have unfavourable impact to our business. For instance, in February 2014, the Environment Bureau unveiled “A Food Waste & Yard Waste Plan for Hong Kong 2014–2022”, which outlines the target to reduce food waste disposal to landfills by 40% in 2022 and four strategies to tackle food waste, namely reduction at source, reuse and donation, recyclable collection, and turning food waste into energy. The HK Government’s efforts at waste reduction could cause the overall waste volume to drop, resulting in a decline in the need for environmental hygiene services. Furthermore, on 20 March 2017, the Environment Bureau announced two proposed charging modes for municipal solid waste, which might result in decrease in the quantity of waste and have an unfavourable impact on the total market size and the growth of waste management service industry in Hong Kong in the near future. Further details are set forth in the section headed “Industry overview” in this prospectus. We cannot guarantee that such changes in laws, policies and regulations will not have an adverse impact on the demand of our services, in which case our business operations, financial results and profitability may be adversely affected.

Potential standard working hours legislation may increase our labour costs and affect our profitability.

There is no legislation regarding the maximum working hours in Hong Kong. On 26 November 2012, the Labour Department released the Report of the Policy Study on Standard Working Hours. In April 2013, the HK Government set up the Standard Working Hours Committee, which is responsible for conducting in-depth discussion on standard working hours and advising the HK Government on the working hours situation in Hong Kong including whether a statutory standard working hours regime or any other alternatives should be considered. It remains uncertain as to whether the HK Government will implement a statutory standard working hours regime. The implementation of a statutory standard working hours regime may increase our direct labour costs as we may incur additional costs to compensate for overtime work. It may also reduce labour supply and the resulting intensified competition for labour may exert upward pressure on the salaries of workers. We cannot assure you that we will be able to adequately increase our

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service fees so as to pass the increase in our direct labour costs onto our customers, thus our Group's business operations, financial results and profitability may be materially and adversely affected.

Potential cancellation of the MPF Scheme contributions offsetting arrangement may increase our labour costs.

Under the MPF Ordinance, an employer is entitled to apply for an offset of the employee severance payments and long service payments, deductible from the accrued benefits derived from the employer's MPF Scheme contributions. Further details are set forth in the paragraphs headed "Regulatory overview — Labour, health and safety — Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)" in this prospectus. We cannot assure you that the above offsetting arrangement will not be abolished or revised in the future, in which case we would incur additional costs in fulfilling the contributions required under the MPF Scheme. This may increase our labour costs, which may in turn materially and adversely affect our results of operations and financial condition.

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

We intend to further enhance our vehicles and equipment, strengthen our manpower, enhance our information technology applications and repay certain bank loan in order to achieve sustainable growth and further strengthen our overall competitiveness and business growth in the environmental hygiene service industry. However, our plans and strategies may be hindered by risks including but not limited to those mentioned in this section. Any failure in implementing our plans and strategies could hinder our business growth and could materially and adversely affect our business, financial condition and results of operations.

Our business operation is currently confined to the Hong Kong market. Any unforeseen negative conditions of Hong Kong, political, social or economic, may adversely affect our business prospects, financial condition and results of operations.

During the Track Record Period, all of our revenue was derived from our operation in Hong Kong. Our Directors confirm that we have no geographical expansion plan as at the Latest Practicable Date and expect that all of our revenue will continue to be derived from Hong Kong in the foreseeable future. As such, we cannot assure you that the economic, political and social conditions in Hong Kong will always be favourable to our business in Hong Kong. Any unfavourable economic, political and social conditions may adversely affect the spending budget of our target customers, and thus our results of operations, financial condition and sustainability.

Our Group is subject to significant risk relating to increase in interest rate.

Our finance costs amounted to approximately HK\$3.5 million and HK\$3.6 million for the two years ended 31 December 2015 and 2016. The interest rate for debt financing, i.e. our finance costs, is expected to soar in the medium term as a result of the anticipated

RISK FACTORS

increases in the U.S. interest rates. It may not be possible for our Group to effectively hedge against changes in interest rates at all or on an economically reasonable basis. Any increase in interest rates could materially increase our finance costs and could have a material adverse effect on our results of operations and financial condition.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive market and we may face downward pricing pressure, in which case our profitability may be materially and adversely affected.

According to Frost & Sullivan, competition within the environmental hygiene service industry is fierce. The industry is mature with relatively low entry barrier. The environmental hygiene service industry has in aggregate 1,140 service players in 2015, among which, approximately 59.2% of the market share is attributable to the top 10 industry players by revenue contribution. In view of the keen competition within the environmental hygiene service industry, we may face significant downward pricing pressure in the tendering/quotation process, which would reduce our profit margins. Alternatively, if we fail to offer a competitive price as compared to our competitors, we may not be awarded the contract, in which case our business operations and financial results may be materially and adversely affected.

RISK RELATING TO THE SHARE OFFER AND THE SHARES

There has been no prior public market for our Shares and an active trading market for our Shares may not be developed or be sustained.

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

The trading prices and volume of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares; changes in securities analysts' (if any) estimates of our financial performance; investors' perceptions of our Group and the general investment environment; changes in laws, regulations and taxation systems which affect our operations; 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 the 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.

RISK FACTORS

In addition to market and industry factors, the price and trading volume of 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; involvement in material litigations as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Substantial future sale of our Shares in the public market could adversely affect their trading price.

Sale of substantial amounts of our Shares in the public market after the completion of the Listing, or the perception that such sale could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of our major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may induce more difficulties for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our liability to raise further capital.

We cannot predict what effect, if any, a significant future sale will have on the market price of our Shares.

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

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

We may issue additional Shares in the future in which case your Shares may be diluted.

We may consider issuing and offering additional Shares in the future to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new Shares may have preferred rights, options or preemptive rights that make them more valuable than the Shares.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong. We are incorporated under Cayman

RISK FACTORS

Islands law and Cayman Islands law may provide different remedies to shareholders when compared with the laws of Hong Kong and other jurisdictions.

Our Company is governed by the Memorandum, the Articles, the Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands in relation to the protection of the interests of minority shareholders differ in some respects from those established under the laws of Hong Kong and other jurisdictions. As a result, the remedies available to Shareholders may be different from those they would otherwise have under the laws of Hong Kong or other jurisdictions. Further details on the Memorandum, the Articles and the related Cayman Islands law are set forth in Appendix III to this prospectus.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable or fair.

Statistics and other information relating to our industry particularly contained in the section headed “Industry overview” in this prospectus have been compiled partly from various publicly available publications as well as the F&S Report we commissioned from Frost & Sullivan, an independent industry consultant. We believe that the sources of such information are appropriate sources 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. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. None of our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other persons or their respective directors, advisers or affiliates involved in the Share Offer has independently verified such information, and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Such information may not be complete or latest. As the way of collecting the information may contain faults or may not be effective, or there exist variations and other problems between information published and market practices, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon when making decision on your investment in our Company or otherwise.

This prospectus contains certain forward-looking statements and information relating to us our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our Company’s 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.

RISK FACTORS

We strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the Share Offer.

Prior to the publication of this prospectus, there may be press and media coverage regarding our Group and the Share Offer, which may include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we expressly disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included 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 GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information 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 our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Share Offer.

THE OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer for which Octal Capital Limited is the Sole Sponsor. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. Further information about the Underwriters, the Share Offer and the underwriting arrangements are set forth in the section headed "Underwriting" in this prospectus.

SELLING SHAREHOLDER

As part of the Share Offer, the Selling Shareholder will offer the 20,000,000 Sale Shares under the Placing at the Offer Price, representing approximately 5% of the total issued share capital of our Company immediately upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option).

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Each person acquiring the Offer Shares will be required to, or be deemed by his/her/its acquisition of the Offer Shares, to confirm that he/she/it is aware of the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

restrictions on the offer and sale of the Offer Shares described in this prospectus and that he/she/it is not acquiring, and has not been offered any Offer Share, in circumstances which contravene any such restrictions.

Prospective investors should consult their professional advisers and take advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the relevant regulatory requirements of investing in the Offer Shares and any applicable exchange control regulations in the jurisdictions of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the Listing of, and permission to deal in, our Shares in issue and to be allotted and issued as mentioned in this prospectus.

None of our Company or any of our subsidiaries is presently listed on any stock exchange on which any part of the equity or debt securities of our Company or any of our subsidiaries is listed or dealt in or on which Listing or permission to deal is being or is proposed to be sought.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25.0% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 100,000,000 Offer Shares, representing 25.0% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option) will be made available under the Share Offer.

Under section 44B(1) of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong), any allotment made in respect of any application will be invalid if the Listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, 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.

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the Listing of, and permission to deal in, our Shares in issue and to be allotted and issued on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the GEM Listing Rules) after any trading day. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors of the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, our Shares or exercising their rights thereunder. It is emphasised that none of our Company, the Selling Shareholder, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our/their respective directors, agents or advisers or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding, purchase, disposal of or dealing in, our Shares or exercising their rights thereunder.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Tuesday, 18 July 2017. Shares will be traded in board lots of 5,000 Shares each. The stock code for our Shares is 8472.

SHARE REGISTRARS AND STAMP DUTY

All Shares to be allotted, issued and transferred pursuant to the Capitalisation Issue and the Share Offer will be registered on the register of members of our Company in Hong Kong maintained by the Hong Kong Share Registrar. The principal register of members of our Company in the Cayman Islands is maintained by Conyers Trust Company (Cayman) Limited.

Our Shares are freely transferable. Only Shares registered on the register of members of our Company in Hong Kong may be traded on GEM.

Dealings in our Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The Hong Kong stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

Unless otherwise specified and for illustration purpose only, conversion of USD into HKD in this prospectus are based on the exchange rate set out below:

$$\text{US\$1.00} = \text{HK\$7.80}$$

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HKD and vice versa at such rates or any other exchange rates.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Lam Pak Ling (林柏齡先生)	Luk Mei Village 49 Luk Cheung Road Sai Kung New Territories Hong Kong	British
Mr. Cai Weiming (蔡偉明先生)	Flat 01, 15/F Hong Yam House On Yam Estate Kwai Chung New Territories Hong Kong	Chinese
Mr. Wong Tsz Chun, Jacky (王子進先生)	Flat 2115, 21/F Choi Chun House Choi Tak Estate Ngau Tau Kok Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Choi Chung Yin (蔡仲言先生)	Flat F, 28/F Block 4, Pokfulam Gardens Pokfulam Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Mak Kwok Kei (麥國基先生)	Flat 8, 1/F Block E, Man Chung House 66 Chung Hau Street Ho Man Tin Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential address	Nationality
Mr. Ho Kin Wai (何建偉先生)	Flat B, 10/F Tower 6, Lake Silver 599 Sai Sha Road Ma On Shan, New Territories Hong Kong	Chinese
Ms. Lam Kit Yan (林潔恩女士)	Flat B, 24/F Block 3, Connaught Garden 155 Connaught Road West Hong Kong	Chinese

Further details on the backgrounds of our Directors and senior management personnel are set forth in the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Octal Capital Limited

A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity as defined in the SFO

802-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Sole Global Coordinator

Great Roc Capital Securities Limited

A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO

Room 1601-1603
16/F West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Joint Bookrunners

China Industrial Securities International Capital Limited

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

7/F, Three Exchange Square
8 Connaught Place Central
Hong Kong

Great Roc Capital Securities Limited

A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO

Room 1601-1603
16/F West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Lead Managers

China Industrial Securities International Capital Limited

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

7/F, Three Exchange Square
8 Connaught Place Central
Hong Kong

Great Roc Capital Securities Limited

A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO

Room 1601-1603
16/F West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Underwriters

China Industrial Securities International Capital Limited

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

7/F, Three Exchange Square
8 Connaught Place Central
Hong Kong

Great Roc Capital Securities Limited

A corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO

Room 1601-1603
16/F West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company *As to Hong Kong law*

Patrick Mak & Tse
16th Floor, Nan Fung Tower
173 Des Voeux Road Central
Central
Hong Kong

Ms. Queenie W.S. Ng
Barrister-at-Law
Rooms 2203 A&B
Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

As to Cayman Islands law

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

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

As to Hong Kong law

Loeb & Loeb LLP
21st Floor, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Benny Pang & Co
27th Floor, 100 QRC
100 Queen's Road Central
Central
Hong Kong

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Industry consultant

Frost & Sullivan Limited
Suite 1706, One Exchange Square
8 Connaught Place
Hong Kong

Compliance adviser

Octal Capital Limited
802-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Receiving bank

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

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit No. 301A, 3/F., Tower III Enterprise Square 9 Sheung Yuet Road Kowloon Bay Kowloon Hong Kong
Website address	<u>www.lapco.com.hk</u> (information in this website does not form part of this prospectus)
Company secretary	Mr. Tam Yiu Shing Billy (譚耀誠先生) <i>Certified Public Accountant</i> Room 8, 16/F, Block A Luk Yeung Sun Chuen Tsuen Wan New Territories Hong Kong
Compliance officer	Mr. Lam Pak Ling (林柏齡先生) Luk Mei Village 49 Luk Cheung Road Sai Kung New Territories Hong Kong
Authorised representatives	Mr. Lam Pak Ling (林柏齡先生) Luk Mei Village 49 Luk Cheung Road Sai Kung New Territories Hong Kong Mr. Tam Yiu Shing Billy (譚耀誠先生) <i>Certified Public Accountant</i> Room 8, 16/F, Block A Luk Yeung Sun Chuen Tsuen Wan New Territories Hong Kong

CORPORATE INFORMATION

Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Audit Committee	Ms. Lam Kit Yan (林潔恩女士) (<i>Chairman</i>) Mr. Ho Kin Wai (何建偉先生) Mr. Mak Kwok Kei (麥國基先生)
Remuneration Committee	Mr. Ho Kin Wai (何建偉先生) (<i>Chairman</i>) Mr. Lam Pak Ling (林柏齡先生) Mr. Mak Kwok Kei (麥國基先生)
Nomination Committee	Mr. Lam Pak Ling (林柏齡先生) (<i>Chairman</i>) Mr. Mak Kwok Kei (麥國基先生) Mr. Ho Kin Wai (何建偉先生)
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 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

INDUSTRY OVERVIEW

The information which appears under this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. 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 which would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by our Company, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer and neither 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.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent industry consultant, to conduct a market analysis of the Hong Kong environmental hygiene service industry at a fee of HK\$500,000. Our Directors consider that such fee reflects the market rate and the payment of such fee does not affect the fairness of the conclusions drawn in the F&S Report. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 45 global offices with more than 1,800 industry consultants providing customised consulting services that support a visionary understanding of their clients' industry, developing opportunities and growth strategies.

In compiling the F&S Report, Frost & Sullivan has combined the following data and intelligence gathering methodologies which include: (a) primary research involving discussion with certain leading industry participants; and (b) secondary research involving review of our Group's reports, independent research reports and data based on its own research database. Our Company has included certain information from the F&S Report in this prospectus because our Directors believe that such information facilitates an understanding of the environmental hygiene service industry for potential investors.

Analysis and forecasts contained in the F&S Report are based on the assumption that the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong environmental hygiene service industry.

After making reasonable enquiries, our Directors confirm that to their knowledge there is no adverse change in the market information since the date of the F&S Report which may qualify, contradict or have a material impact on the information in this section.

INDUSTRY OVERVIEW

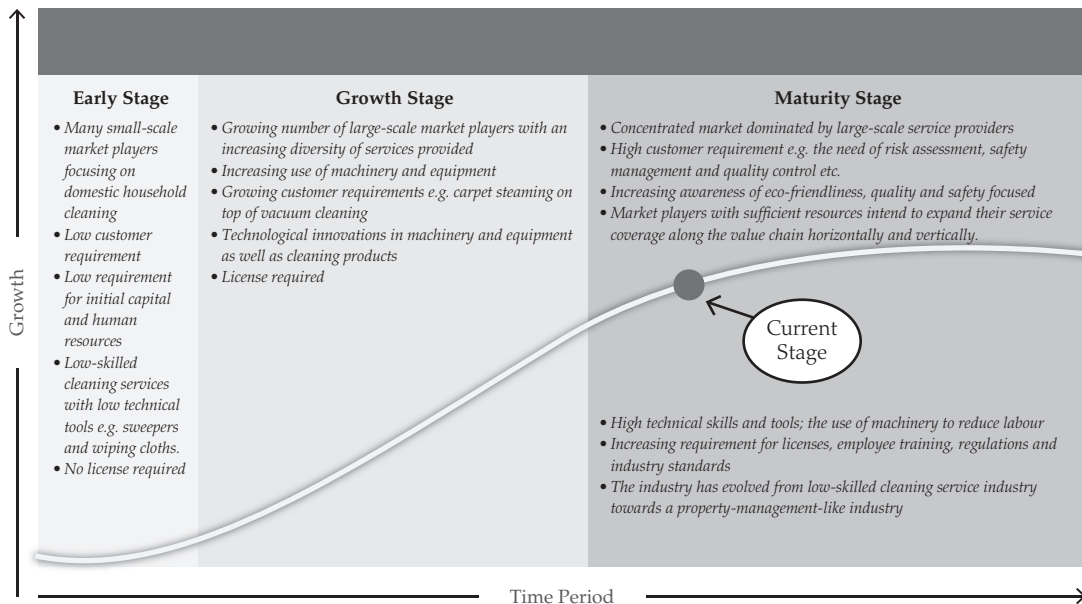
OVERVIEW OF THE ENVIRONMENTAL HYGIENE SERVICE INDUSTRY IN HONG KONG

Environmental hygiene services in Hong Kong cover the following significant service categories:

Key service categories	Service areas include
General cleaning services	<ul style="list-style-type: none"> • Cleaning services for public and private, residential, commercial and industrial buildings • Pest management services • Stone maintenance and exterior wall cleaning services
Waste management services	<ul style="list-style-type: none"> • Collection of recyclable items • Collection and disposal of liquid waste, industrial and solid waste • Composite waste management services • Water tanks rinsing services
Other services	<ul style="list-style-type: none"> • Landscaping services • Animal corpse disposal services • Room services • One-off post-construction cleaning services • Car park cleaning services • Cleaning equipment supply services

Development history

The environmental hygiene service industry in Hong Kong is currently at its maturity stage:

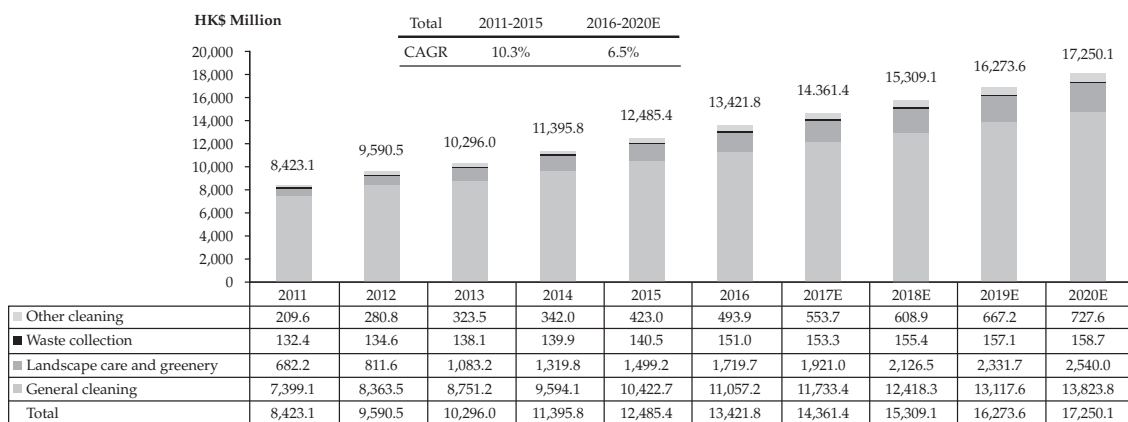


Source: Frost & Sullivan

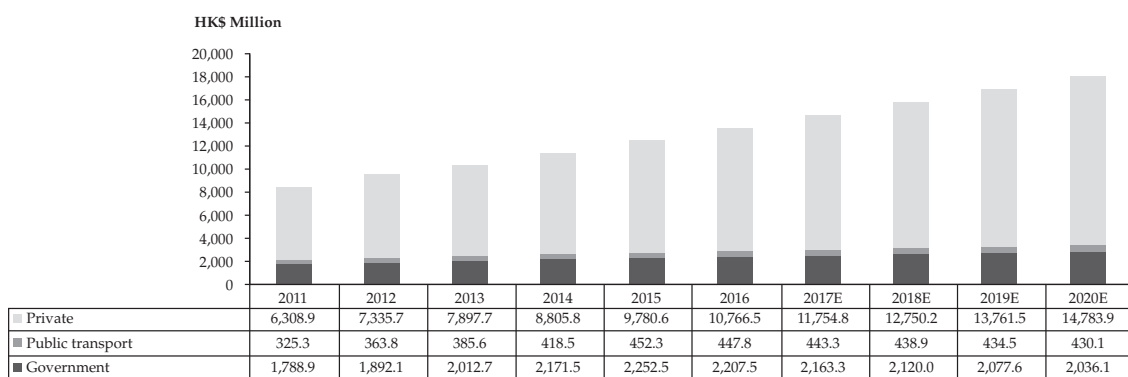
INDUSTRY OVERVIEW

Environmental hygiene service industry revenue from 2011 to 2020

Market size of the environmental hygiene service market in Hong Kong by revenue, 2011-2020E



Market size of the environmental hygiene service market in Hong Kong by customer type, 2011-2020E

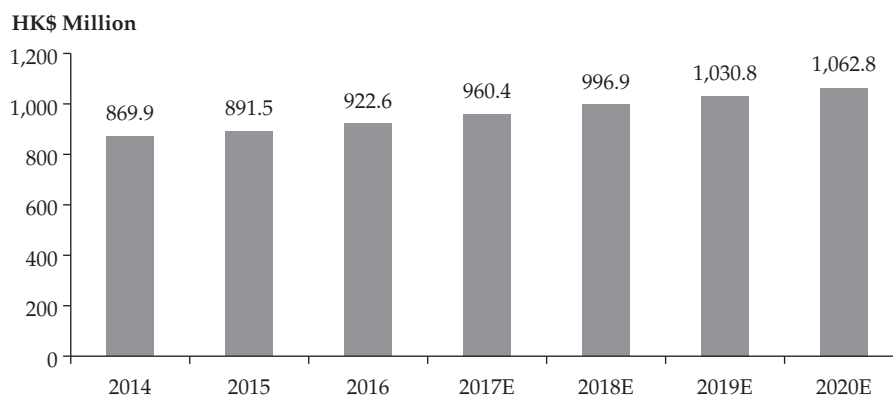


Source: Frost & Sullivan

In 2011, the total revenue of the environmental cleaning services industry in Hong Kong was HK\$8,423.1 million, while private sector, public transport and government contributed 74.9%, 3.9% and 21.2%, respectively. During 2011-2015, it was witnessed that the shares of the three sectors were similar, where private sector led the total market revenue. From 2016 to 2020, the market is likely expanding in similar pace and landscape, bringing similar growing pattern. By 2020, it is expected that the total revenue of the market will be HK\$17,250.1 million, with private sector contributing HK\$14,783.9 million, public transport will contributing HK\$430.1 million, and government sector contributing HK\$2,036.1 million.

INDUSTRY OVERVIEW

Market size of the street cleaning service industry in Hong Kong by revenue, 2014-2020

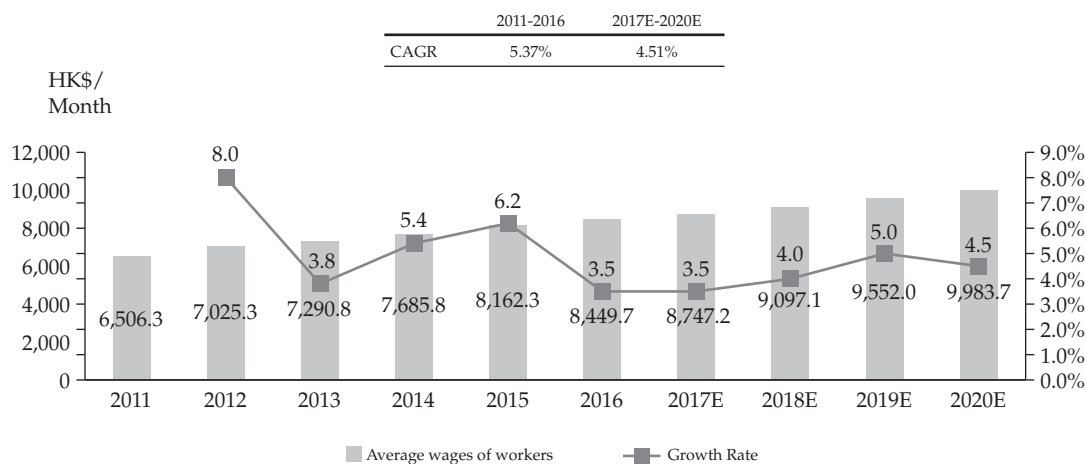


Source: Frost & Sullivan

The total revenue of street cleaning in Hong Kong was HK\$891.5 million in 2015, and it is expected that it will increase from HK\$922.6 million to HK\$1,062.8 million during 2016 and 2020, with CAGR 3.6%.

Price trends of average wages from 2011 to 2020

Average wages of workers, Hong Kong, 2011–2020



Source: Census and Statistics Department, Frost & Sullivan

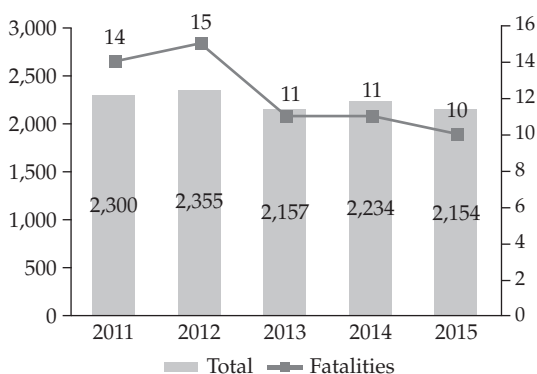
The average monthly wages of workers in Hong Kong grew from HK\$6,506.3 in 2011 to HK\$8,449.7 in 2016 at a CAGR of 5.37%. During the years between 2017 to 2020, following the implementation of statutory minimum wage raised to HK\$34.5 per hour, the average monthly wages of workers are expected to grow to HK\$9,984 by 2020.

INDUSTRY OVERVIEW

Casualties in environmental hygiene service industry

Although the number of cleaning workers has been increasing in Hong Kong, casualties in the environmental hygiene service industry has decreased in the last few years. On average, 30 accidents happen every year in every 1,000 workers. It is expected that it will further decrease in the future because of the rising awareness of safety standard. For example, service players would recruit safety officers to monitor closely on the working practice, which can prevent some of the accidents from happening.

Number of occupational accidents in general cleaning, 2011–2015



Accident rates in general cleaning services, 2011–2015



Source: Labour Department, Census and Statistics Department, Frost & Sullivan

Notes:

1. Figures represent staff working in general cleaning excluding waste management.
2. The latest available data is as at 2015.

Key market drivers of the environmental hygiene service industry in Hong Kong

Increasing awareness on public hygiene due to large-scale disease outbreaks in the past

The outbreak of SARS in 2003, followed by swine flu (H1N1) in 2009, influenza H7N9 and Zika virus in 2016 has raised public awareness on environmental hygiene, thereby accelerating the demand for environmental hygiene services.

HK Government's regulations on environmental hygiene standard

The past disease outbreaks have raised the HK Government's concern on environmental hygiene and it placed more emphasis on public hygiene control to avoid future large-scale disease outbreaks. The HK Government has reinforced policies on waste and recycling management. For example, the HK Government targets to achieve recycling rate of 55% by 2022 and declared to invest HK\$1 billion in waste management to launch a Restored Landfill Revitalisation Funding Scheme in its 2014 Policy Address.

INDUSTRY OVERVIEW

Increasing number of various types of buildings and venues

The following table sets out the growth rate or estimated growth rate of various types of buildings or venues in Hong Kong, which are expected to stimulate the demand for environmental hygiene services:

	2011–2015	2016–2020E
Space of residential buildings	0.98%	1.01%
Space of private commercial buildings (comprising retail premises and other premises designed or adapted for commercial use)	0.46%	1.14%
Space of office buildings	0.71%	2.35%
Number of shopping malls and centres	1.05%	1.19%
Number of parks, recreational venues, public places and tertiary institutions	0.46%	0.33%

Major challenges and/or threats affecting environmental hygiene service industry in Hong Kong

Labour shortage

Despite the fact that the entry requirement for frontline workers of the environmental hygiene service industry is relatively low, long working hours and heavy workload could lead to high occupational mobility and hence labour shortage within the industry. The problem was intensified by the introduction of the statutory minimum wage policy by the HK Government as workers now have more choices and are more willing to take less intense but similar paying jobs like security guard rather than being a cleaner. As the industry demands for more labour to meet customer needs, labour shortage imposes great challenges and threats on environmental hygiene service providers.

Increasing operating labour costs and narrowing profit margin

The HK Government raised the statutory minimum wage from HK\$28.0 per hour in 2011 to HK\$30 per hour in 2013 and further to HK\$32.5 and HK\$34.5 in 2015 and 2017, respectively. Further, the HK Government has revised the guidelines for outsourcing services to improve the wage of low-skilled workers by requiring government departments to take into account the wages companies offered to their workers before awarding them tenders. According to Frost & Sullivan, taking into account the wages paid to the workers as one of the assessment criteria has been the industry practice for the past five years. As such, the effect of the guideline, if any, has been long absorbed by the industry participants. It is expected that there is no material impact on the competitive landscape and/or the financial performance of the industry participants save for the higher tendering price resulting from the higher labour costs attributable to the increase of minimum wages. Moreover, the HK Government is planning to implement a policy of standard working hours in order to improve work-life balance as well as occupational safety and health. The implementation of statutory standard working hours regime may

INDUSTRY OVERVIEW

increase our labour costs as we may incur additional costs to compensate for overtime work. It may also reduce labour supply and the resulting intensified competition for labour may exert upward pressure on the salaries of workers. Further details are set forth in the paragraphs headed “Risk factors — Risks relating to our business — Potential standard working hours legislation may increase our labour costs and affect our profitability” in this prospectus.

Impact of law, policies and regulation on environmental hygiene

In February 2014, the Environment Bureau unveiled “A Food Waste & Yard Waste Plan for Hong Kong 2014–2022”, which maps out a comprehensive strategy for the management of food waste and yard waste in the coming years. It outlines the target of reducing food waste disposal to landfills by 40% in 2022 and four strategies to tackle food waste, namely reduction at source, reuse and donation, recyclable collection, and turning food waste into energy. In addition, the framework proposal for municipal solid waste developed by the EPD was presented to the Legislative Council in February 2015. The HK Government’s efforts at waste reduction could cause the overall waste volume to drop, resulting in a decline in the need for environmental hygiene services.

On 20 March 2017, the Environment Bureau announced two proposed charging modes for municipal solid waste, namely (a) charging by designated garbage bags, which will apply to premises currently using the waste collection service provided by the Food and Environmental Hygiene Department (including most residential buildings, street-level shops and institutional premises); and (b) charging by weight, which will apply to premises and buildings which hire private waste collectors to dispose of waste directly at landfills or refuse transfer stations. With the “polluter-pays” principle, the municipal solid waste policy aims to introduce a direct economic incentive to avoid and reduce waste. As a result, the expected decrease in the quantity of waste might have an unfavourable impact on the total market size and the growth of waste management service industry in Hong Kong in the near future. However, on the other hand, this might create opportunities for waste recycling businesses, where waste management companies can tap into the market and adapt to the new business model.

In addition, the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance also add further costs for the service providers as they require service providers to provide safety equipment and training to their frontline workers.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

The environmental hygiene service industry in Hong Kong

The top 10 environmental hygiene service providers in Hong Kong together accounted for an aggregate market share of approximately 55.4% in terms of revenue in 2016. The market concentration is high. Our Group ranked ninth among the top 10 players, taking up approximately 3.3% of entire market share.

Top 10 environmental hygiene service providers in Hong Kong

Ranking	Company	Revenue in 2016 ^(Note 1) (HK\$ million)	Market share in 2016 (%)	Company descriptions
1	Company A	1,238.1	10.7	Founded in Denmark and started business in Hong Kong since 1995
2	Company C	969.5	8.4	A large-scale hygiene service provider in Hong Kong with main customers being the HK Government, large enterprises, academic institutions and non-governmental organisations
3	Company B	855.9	7.4	A company listed on the Stock Exchange providing cleaning, pest management, horticulture, landscaping and waste collection & recycling services
4	Company D	763.3	6.6	With over 5,500 employees and serving the HK Government, retailers, transportation, estates, etc.
5	Company E	560.9	4.9	A wholly-owned subsidiary of a property developer with over 4,000 employees
6	Company F	462.0	4.0	A company listed on the Stock Exchange providing environmental hygiene services and airline catering support service

INDUSTRY OVERVIEW

Ranking	Company	Revenue in 2016 ^(Note 1) (HK\$ million)	Market share in 2016 (%)	Company descriptions
7	Company I	416.8	3.6	A company listed on the Stock Exchange providing general cleaning services for public area and transportation as well as waste disposal services and pest management services
8	Company G	383.2	3.3	A flagship company of a property management service company with over 2,800 employees and serving 240 sites
9	Our Company	375.5 ^(Note 2)	3.3	N/A
10	Company H	369.5	3.2	A cleaning service provider with over 2,700 employees staff serving mainly commercial buildings

Source: Census and Statistics Department, Frost & Sullivan

Notes:

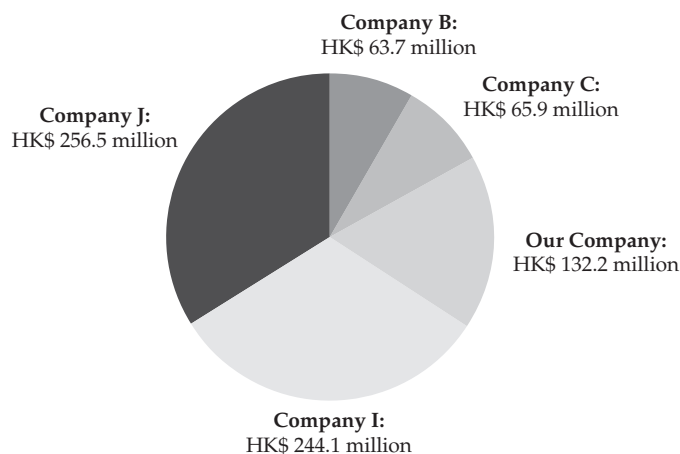
1. The above estimated revenue is (i) on annual pro-rata basis and (ii) excludes waste collection services and landscaping services. Among the top 10 environmental hygiene service providers, some of them do not provide waste collection services and landscaping services. Furthermore, such services contribute about 1% and 13%, respectively, to the total revenue of environmental hygiene services. Therefore, the revenue generated from waste collection services and landscaping services are excluded in order to achieve a fairer comparison and more precise ranking.
2. The revenue attributable to waste management and recycling services and landscaping services has been carved out.

Street cleaning service market in Hong Kong

The total contract sum of street cleaning service contract awarded by the department of the HK Government responsible for food and environmental hygiene reached HK\$762.4 million in 2016. This market is shared by only five service providers, among which we ranked the third in terms of the contract sum of HK\$132.2 million awarded to us. From 2011 to 2016, there was no other service providers which could win tenders for street cleaning apart from these five service providers.

INDUSTRY OVERVIEW

The five street cleaning service providers in Hong Kong



Source: Frost & Sullivan

Ranking	Company	Contract sum awarded in 2016 (HK\$ million)	Company descriptions
1	Company J	256.5	A general cleaning service provider having over 2,000 employees with main customers being the HK Government and property management companies
2	Company I	244.1	A company listed on the Stock Exchange providing general cleaning services for public area and transportation as well as waste disposal services and pest management
3	Our Company	132.2	N/A
4	Company C	65.9	A large-scale hygiene service provider in Hong Kong with main customers being the HK Government, large enterprises, academic institutions and non-governmental organisations

INDUSTRY OVERVIEW

Ranking	Company	Contract sum awarded in 2016 (HK\$ million)	Company descriptions
5	Company B	63.7	A company listed on the Stock Exchange providing cleaning, pest management, horticulture & landscaping and waste collection & recycling services

Source: Census and Statistics Department, Frost & Sullivan

Entry barriers of the environmental hygiene service industry in Hong Kong

The industry is mature with relatively low entry barrier; however, there are also entry barriers for new market entrants, including:

High initial capital and cost pressure

The environmental hygiene service industry is a labour intensive industry with generally over 70% of total operating cost comes from cost of labour. As mentioned above, the increase in statutory minimum wage over the last few years has created cost pressure on service providers. In addition, other cost of services such as raw materials/equipment procurement and insurance costs also account for a significant portion of total operating cost. For new entrants lacking financial resources, capital is a key obstacle which prevents them from entering the market.

Word of mouth, reputation, client portfolio and branding of the existing players

For the environmental hygiene service industry in Hong Kong, tendering is the major way to engage a service provider for both private and public sectors. Client portfolio, brand and reputation as well as word of mouth are the selection criteria of customers, including government awarding tender contracts. Customers tend to stay with one approved service provider for a long period of time, usually for three to five years. This imposes increasing entry barriers for new entrants to compete with existing service providers which have established good reputation and long-term customer relationship, hence driving them out from the market.

High requirement for high-level management efficiency

Experienced management team is crucial in maintaining management on the labour force and quality of service, experienced management team is highly required. In general, large-scale service providers operate under a tier system: frontline workers (e.g. cleaners), foreman (e.g. site managers) who is responsible for supervising workers and the top management who control the overall quality of services. This imposes structural and operational challenges on new entrants as start-up companies which usually lack the

INDUSTRY OVERVIEW

capital and human resources to establish their management team and satisfy the requirements of large-scale clients. Therefore, even if small entrants have enough initial capital to start up, inefficient management could restrict their growth.

Future outlook of the environmental hygiene service industry in Hong Kong

It is expected that the demand for environmental cleaning services in Hong Kong from private sectors, specifically for building cleaning services, would be increasing due to the projected economic growth. According to Frost & Sullivan, private sector customers outsource cleaning work to environmental cleaning services providers to reduce operational cost, which will increase the competitiveness of medium-scale to large-scale environmental cleaning services providers who are able to provide an array of environmental cleaning services to customers.

As the environmental cleaning industry in Hong Kong is labour intensive, labour costs usually account for approximately 80% of the total cost of services of environmental cleaning service providers in Hong Kong according to Frost & Sullivan. To tackle the increase in labor cost, the service providers will intend to purchase advanced cleaning machinery and equipment in order to optimize the cost model. Also, large-scale cleaning service providers owning cleaning machinery and equipment usually are having better market position and bargaining power to charge higher fee as well as taking up large-scale projects.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations of significance to our Group's operations and businesses in Hong Kong.

BUSINESS OPERATIONS

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance requires every entity that carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of its business and display a valid business registration certificate at the place of business.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 16.5%. The Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

LABOUR, HEALTH AND SAFETY

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

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

Employers must, as far as reasonably practicable, ensure their workplaces are safe and healthy for their workers by:

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

REGULATORY OVERVIEW

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to industrial workers and applies to industrial undertakings, i.e. factories, construction sites, catering establishments, cargo and container handling undertakings, repair workshops and other industrial workplaces. Under the Factories and Industrial Undertakings Ordinance, every proprietor and person employed at industrial undertakings has general duties to ensure safety and health at work. In particular, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- Providing and maintaining plant and work systems that do not endanger safety or health;
- Making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- Providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- Providing and maintaining safe access to and egress from the workplace; and
- Providing and maintaining a safe and healthy work environment.

Under the same ordinance, a proprietor shall only hire such person with a valid certificate in relation to the relevant industrial undertaking such person is engaged in.

Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (Chapter 59AC of the Laws of Hong Kong)

Under the Factories and Industrial Undertakings (Suspended Working Platforms) Regulation, the owner, lessee, hirer or any person in charge or having the control or management of contractor (collectively the “**Owners**”) of a scaffold suspended by means of lifting gear, ropes or chains or rigid members and not provided with means of raising or lowering by a lifting appliance or similar device (“**Suspended Working Platform**”) must ensure that the Suspended Working Platform is maintained and constructed in accordance with the requirement of the regulation. The Owner shall also ensure that any person who is authorised by him to be on the Suspended Working Platform shall be a licensed operator of the Suspended Working Platform and has taken all required safety precautions when doing so.

Factories and Industrial Undertakings (Confined Spaces) Regulation (Chapter 59AE of the Laws of Hong Kong)

Under the Factories and Industrial Undertakings (Confined Spaces) Regulation, the proprietor shall appoint a competent person to assess the working conditions of the confined area in which its workers are required to work at regularly and to make

REGULATORY OVERVIEW

recommendations on measures to be taken in relation to safety and health of workers while working in that space. The proprietor shall ensure that only competent workers who hold valid certificates for working in a confined space shall enter into the confined space and that they have taken all required safety precautions when doing so.

Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong)

Any person or firm engaged in carrying out construction work by way of trade or business is required to take statutory safety measures to ensure the safety at the construction sites.

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

Pursuant to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a sub-contractor on any work involving, inter alia, external cleaning of any building, dock or pier which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every sub-contractor jointly and severally. However, such payment of wages is recoverable from the sub-contractor pursuant to section 43F of the Employment Ordinance.

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

The Employees' Compensation Ordinance imposes a statutory obligation on all employers (including contractors and subcontractors) to insure against their liabilities for the injuries of their employees at work both under the Employees' Compensation Ordinance and at common law in respect of all their employees (including full-time and part-time employees).

Further, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to a sub-contractor's employees who are injured while performing the work which the sub-contractor has contracted to perform. Yet, the principal contractor is nonetheless entitled to be indemnified by the sub-contractor if the sub-contractor would have been liable to pay compensation to the injured employee.

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

Under the MPF Ordinance, an employer is required to participate in the MPF Scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the fund at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Effective from 1 May 2017, the prescribed minimum hourly rate under the Minimum Wage Ordinance is HK\$34.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

ENVIRONMENTAL PROTECTION, WASTE DISPOSAL AND RECYCLE

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

The Waste Disposal Ordinance provides for:

- (a) the Collection Authority to provide services for the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste;
- (b) the Collection Authority to issue licence to permit any person to provide services for the collection or removal of chemical waste or clinical waste and all or any of the matters referred in Section 9 of the Waste Disposal Ordinance;
- (c) the prohibition to collect, remove and dispose of chemical waste, clinical waste, household waste, street waste, trade waste, livestock waste and animal waste by any person or entities unless such person or entity is licensed by the EPD or the FEHD. Further details are set forth in the paragraphs headed “Business — Environmental compliance — Compliance with the Waste Disposal Ordinance” of this prospectus. However, it shall not be an offence for an occupier of any building, or any person responsible for the management of any building, to remove household waste from any building if:
 - (i) the Collection Authority or any person holding a waste collection licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the Collection Authority or person provides that service under the Waste Disposal Ordinance; or
 - (ii) no such service for the removal of household waste is provided by the Collection Authority or a person holding a waste collection licence;
 - (iii) the prohibition on the use, or permission to be used, any land or premises for the disposal of waste unless the person has a licence from the director of EPD to use the land or premises for that purpose. This section does not apply to:
 - (I) the use of land or premises for the deposit of any substance (other than chemical waste or clinical waste) which is being used in the course of agricultural or horticultural operations;

REGULATORY OVERVIEW

- (II) the disposal of chemical waste or clinical waste by a person who is authorised pursuant to any regulation made under section 33(1)(da), to use the land or premises for that purpose; and
- (III) the disposal of such wastes or classes of wastes in such circumstances as may be prescribed;
- (d) the limitation on the licensing authority that a waste disposal licence in respect of chemical waste or clinical waste (as the case may be) shall not be granted unless the licensing authority is satisfied that the land or premises in respect of which the licence is sought has waste disposal facility which has the capacity to dispose of such minimum quantity of chemical waste or clinical waste (as the case may be) and within such period or is capable of disposing of chemical waste or clinical waste (as the case may be) in such other manner as may be prescribed.

Waste Disposal (Refuse Transfer Station) Regulation (Chapter 354M of the Laws of Hong Kong)

The Waste Disposal (Refuse Transfer Station) Regulation provides for the account registration and prescribed fee payment requirements for persons who dispose of waste at the refuse transfer stations.

Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)

The Waste Disposal (Charges for Disposal of Construction Waste) Regulation provides for the requirement that any person who disposes of construction waste shall be a holder of a valid billing account and shall pay for the prescribed fee.

Further details on compliance with the Waste Disposal Ordinance are set forth in the paragraphs headed “Business — Environmental compliance — Compliance with the Waste Disposal Ordinance” in this prospectus.

Country Parks Ordinance (Chapter 208 of the Laws of Hong Kong)

Section 26 of the Country Parks Ordinance provides that the Chief Executive in Council may make regulations to provide for prohibiting or restricting the entry into, or movement within, country parks and special areas of persons, vehicles, boats and animals.

Country Parks and Special Areas Regulations (Chapter 208A of the Laws of Hong Kong)

Regulation 4 of the Country Parks and Special Areas Regulations provide that except for those ordinarily resident within country parks or special areas, or public officers on official duties within country parks or special areas, no person shall, except with the consent of the Agriculture, Fisheries and Conservation Department (“AFCD”), bring into a country park or special area any vehicle or bicycle, or drive, use or be in

REGULATORY OVERVIEW

possession of any vehicle or bicycle within a country park or special area. Further, the Guidelines on Permit to bring vehicles into Country Parks or Special Areas issued by AFCD provides that vehicles over 5.5 tonnes are not allowed to enter country parks.

Further details on compliance with the Country Parks Ordinance and Country Parks and Special Areas Regulations are set forth in the paragraphs headed “Business — Environmental compliance — Compliance with the Country Parks Ordinance and Country Parks and Special Areas Regulations” in this prospectus.

STORAGE AND USAGE OF CHEMICAL SUBSTANCE

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods and sets out the relevant licensing requirements in relation to these activities.

Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong)

Certain categories and quantity of dangerous goods are exempted from the requirement for a licence for their conveyancing, storage and usage under the Dangerous Goods (General) Regulations.

Pesticides Ordinance (Chapter 133 of the Laws of the Hong Kong)

Pesticides are divided into two categories under the Pesticides Ordinance, namely registered and unregistered. The importation, manufacturing, selling, offering or exposing for sale and so on of both registered and unregistered pesticides are required to be licensed. No licence is required for the usage of registered pesticides, so long as the user is not engaged in the trade or business.

TRADE MARKS

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance is to provide provisions for the registration of trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong).

According to section 10 of the Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under this ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

REGULATORY OVERVIEW

By virtue of section 14 of the Trade Marks Ordinance, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of the Trade Marks Ordinance, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts that amount to infringement of the registered trademark are further specified in section 18 of the same ordinance. The owner of the registered trademark is entitled to remedies under the Trade Marks Ordinance once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the Trade Marks Ordinance.

Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark and that use of the trademark is an act of misrepresentation by third parties and will cause the owner damage.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 August 2016. Since its incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganisation, as more particularly described in the paragraphs headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing.

OUR BUSINESS DEVELOPMENT

Introduction

Our founder, executive Director, chief executive officer and chairman, Mr. Lam, established our Group in 1990 with his personal fund as he believed that the prospects of the cleaning services industry would be promising in anticipation of the trend of tightening hygiene standard. Further details on the background and relevant industry experience of Mr. Lam are set forth in the paragraphs headed “Directors and senior management — Executive Directors” in this prospectus.

With our continuous growth in business, Lapco Service and Shiny Hope were incorporated in 1999 and 2006, respectively for primarily tendering for cleaning service contracts and maintaining our Group’s waste compaction vehicles and equipments.

Since our establishment, we have expanded and diversified our business over the years. Further details on our business are set forth in the section headed “Business” in this prospectus.

Business Milestones

The following table summarises our major business milestones of development and achievements over the years.

Year	Major developments and achievements
1990	Establishment of Shiny Glory
1991	Commenced our business operations as a waste management service provider
1997	Expanded our business operations to provide cleaning services Shiny Glory obtained our first tender contract from HK Government for provision of cleaning services

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Major developments and achievements
1999	Shiny Glory obtained ISO 9002:1994 quality certification for quality assurance system Establishment of Lapco Service Lapco Service became an approved cleansing service contractor of a statutory body responsible for Hong Kong's public housing
2000	Expanded our business operations to provide pest management services
2002	Shiny Glory obtained IQ NET ISO 9001:2000 quality certification for quality management system
2005	Lapco Service obtained ISO 14001:2004 quality certification for environmental management system
2006	Establishment of Shiny Hope
2007	Lapco Service obtained OHSAS 18001:2007 quality certification for Occupational Health and Safety Management System
2016	Further expanded our business operations to provide landscaping services

OUR CORPORATE HISTORY

A summary of the corporate history of our subsidiaries is set out below:

Shiny Glory

On 30 November 1990, Shiny Glory was incorporated in Hong Kong with an initial authorised share capital of HK\$100,000 comprising 1,000 shares of HK\$100 each, which principally engaging in waste collection and waste disposal. It commenced its business in 1990.

Shiny Glory is formerly known as Lux Cleaning Transport Company Limited (力士清潔服務有限公司). Its name was changed to Luxury Cleaning Services Company Limited (力仕清潔服務有限公司) on 8 November 1994. On 21 March 1995, its name was changed to Champion Cleaning Transport Company Limited (卓士清潔服務有限公司) and was further changed to Shiny Glory Services Limited (丞美服務有限公司) on 13 September 2010.

As part of the family arrangement between Mr. Lam and Ms. Wong, who cohabits with Mr. Lam as spouse, on 25 November 2010, Mr. Lam and Champion Cleaning Environmental Company Limited (卓士清潔環保有限公司), a company

HISTORY, DEVELOPMENT AND REORGANISATION

wholly owned by Mr. Lam for investment holding purpose, transferred five and 49,995 shares, representing the entire issued share capital in Shiny Glory, respectively to Ms. Wong. Since these transfers, Shiny Glory was wholly owned by Ms. Wong.

Pursuant to the Reorganisation, Shiny Glory was acquired by Sharp Idea and became an indirect wholly-owned subsidiary of our Company. Further details on the Reorganisation are set forth in the paragraphs headed “Reorganisation” in this section.

Lapco Service

On 14 May 1999, Lapco Service was incorporated in Hong Kong with an authorised share capital of HK\$100,000 comprising 100,000 shares of HK\$1.00 each, principally engaging in provision of street sweeping and street washing. It commenced business in 1999.

Lapco Service is formerly known as Champion Cleaning Company Limited (卓士清潔有限公司) and changed its name to Lapco Service Limited (立高服務有限公司) on 14 August 2006.

Lapco Service had, since incorporation, been wholly and beneficially owned by Mr. Lam until 12 May 2007. Since then Lapco Service became wholly owned by Prime Rich, which was in turn wholly owned by Regent Comsec Limited. Regent Comsec Limited held the entire interests in Prime Rich upon trust for the benefit of Mr. Lam and his successor in title, pursuant to a declaration of trust dated 18 April 2007.

Pursuant to the Reorganisation, Lapco Service was acquired by Sharp Idea and became an indirect wholly-owned subsidiary of our Company. Further details on the Reorganisation are set forth in the paragraphs headed “Reorganisation” in this section.

Shiny Hope

On 15 June 2006, Shiny Hope was incorporated in Hong Kong with an authorised share capital of HK\$10,000 comprising 10,000 shares of HK\$1.00 each, which holds the waste compaction vehicles and equipments for our Group. Shiny Hope was wholly owned by Ms. Wong since 15 September 2006, until 17 September 2007, whereupon Ms. Wong transferred one share, representing the entire issued share capital in Shiny Hope to Mr. Lam, as part of their family arrangement. Since then, Shiny Hope was wholly owned by Mr. Lam.

Pursuant to the Reorganisation, Shiny Hope was acquired by Sharp Idea and became an indirect wholly-owned subsidiary of our Company. Further details on the Reorganisation are set forth in the paragraphs headed “Reorganisation” in this section.

HISTORY, DEVELOPMENT AND REORGANISATION

Sharp Idea

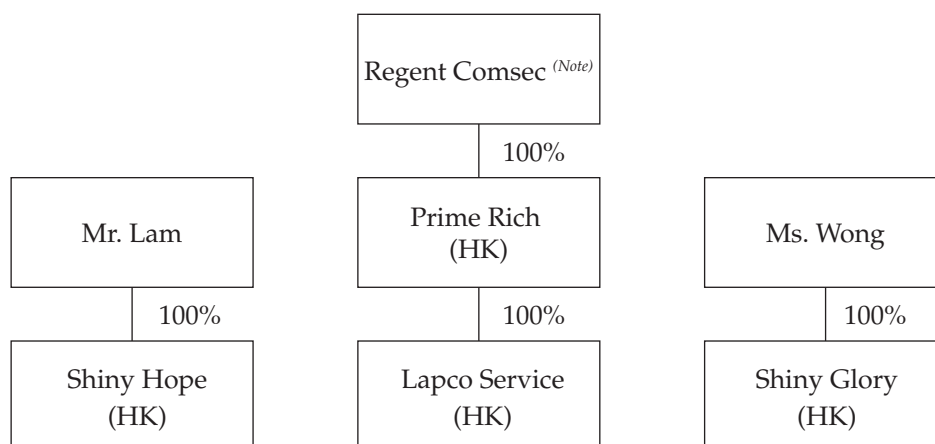
On 1 April 2016, Sharp Idea was incorporated in the BVI with an authorised share capital of US\$50,000 comprising 50,000 shares of US\$1 each. On 8 April 2016, 1,000 shares in Sharp Idea were allotted and issued to Champion Success and became a wholly-owned subsidiary of Champion Success, a company owned as to approximately 67% by Mr. Lam and as to approximately 33% by Ms. Wong.

As part of our Reorganisation, Sharp Idea acquired the entire issued share capital of Shiny Hope, Lapco Service and Shiny Glory, respectively on 15 April 2016 and became an intermediate holding company of our Group. On the same day, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer for the consideration of HK\$12,000,000 as Pre-IPO investment. Immediately after this transfer, Sharp Idea was owned as to 20% by Magic Pioneer and 80% by Champion Success. On 14 June 2017, Champion Success and Magic Pioneer transferred 800 and 200 shares in Sharp Idea, respectively held by them, together representing the entire issued share capital of Sharp Idea, to our Company. Immediately after this transfer, Sharp Idea has become a direct wholly-owned subsidiary of our Company. Further details on the Reorganisation are set forth in the paragraphs headed “Reorganisation” in this section.

REORGANISATION

In January 2016, we commenced the Reorganisation in preparation for the Share Offer.

The following chart sets forth our Group’s corporate and shareholding structure immediately before the Reorganisation:



Note: Regent Comsec Limited held the entire issued share capital in Prime Rich upon trust for the benefit of Mr. Lam and his successor in title pursuant to a declaration of trust dated 18 April 2007.

HISTORY, DEVELOPMENT AND REORGANISATION

The Reorganisation involved the following steps:

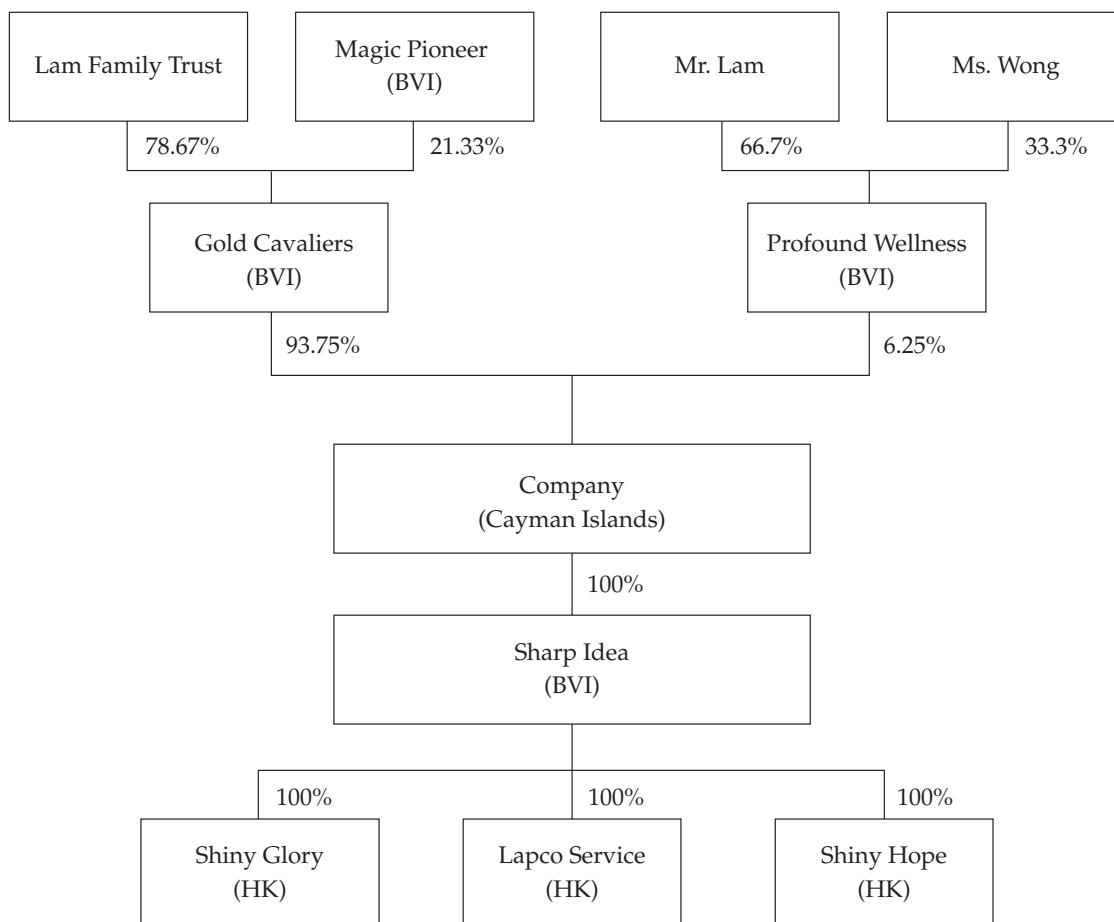
1. On 8 January 2016, Champion Success was incorporated in Hong Kong by GRL16 Nominee Limited as the initial subscriber. On 7 April 2016, Mr. Lam acquired one share from GRL16 Nominee Limited at a consideration of HK\$1 and on the same day, one additional share was allotted and issued to each of Mr. Lam and Ms. Wong, respectively. Immediately thereafter, Champion Success was owned as to approximately 67% by Mr. Lam and as to approximately 33% by Ms. Wong.
2. On 1 April 2016, Sharp Idea was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1 each. On 8 April 2016, 1,000 shares in Sharp Idea with par value of US\$1 were allotted and issued to Champion Success.
3. On 15 April 2016, Ms. Wong transferred 50,000 shares in Shiny Glory, representing the entire issued share capital in Shiny Glory, to Sharp Idea at the nominal consideration of HK\$1. Immediately after this transfer, Shiny Glory is owned entirely by Sharp Idea.
4. On 15 April 2016, Prime Rich (which was wholly owned by Regent Comsec Limited, which in turn held the entire interests in Prime Rich upon trust for the benefit of Mr. Lam and his successor in title, pursuant to a declaration of trust dated 18 April 2007) transferred 5,200,000 shares in Lapco Service, representing the entire issued share capital in Lapco Service, to Sharp Idea at the nominal consideration of HK\$1. Immediately after this transfer, Lapco Service is owned entirely by Sharp Idea.
5. On 15 April 2016, Mr. Lam transferred one share in Shiny Hope, representing the entire issued share capital in Shiny Hope, to Sharp Idea at the nominal consideration of HK\$1. Immediately after this transfer, Shiny Hope is owned entirely by Sharp Idea.
6. On 15 April 2016, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital in Sharp Idea to Magic Pioneer for the consideration of HK\$12,000,000. Immediately after this transfer, Sharp Idea was owned as to 20% by Magic Pioneer and 80% by Champion Success. Further details on the Pre-IPO Investment are set forth in the paragraphs headed "Pre-IPO Investment" in this section.
7. On 8 August 2016, the Lam Family Trust was established by Mr. Lam and Ms. Wong as settlors, with Max Super acting as the trustee. The Lam Family Trust is a discretionary trust, the beneficiaries of which are Mr. Lam and Ms. Wong.

HISTORY, DEVELOPMENT AND REORGANISATION

8. On 11 August 2016, Gold Cavaliers was incorporated in the BVI with an authorised share capital of US\$50,000 consisting of 50,000 ordinary shares with par value of US\$1 each and on its incorporation 7,867 shares were allotted and issued to Champion Success at par and 2,133 shares were allotted and issued to Magic Pioneer at par.
9. On 11 August 2016, Profound Wellness was incorporated in the BVI with an authorised share capital of US\$50,000 consisting of 50,000 ordinary shares with par value of US\$1 and on its incorporation two shares were allotted and issued to Mr. Lam and one share was allotted and issued to Ms. Wong. Profound Wellness will serve as the Selling Shareholder under the Placing. Further details on the Selling Shareholder are set forth in the paragraphs headed “Other information — 16. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.
10. On 12 August 2016, our Company was incorporated in the Cayman Islands with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each and on its incorporation one nil paid Share was allotted and issued to the subscriber, an Independent Third Party, and subsequently transferred to Gold Cavaliers.
11. On 14 June 2017, Champion Success transferred all the issued shares held by it in Gold Cavaliers by way of gift to Max Super as the trustee of the Lam Family Trust.
12. On 14 June 2017, pursuant to the share swap agreement entered into amongst Champion Success, Magic Pioneer and our Company, Champion Success and Magic Pioneer transferred 800 and 200 shares in Sharp Idea, respectively held by them, together representing the entire issued share capital of Sharp Idea, to our Company. In exchange therefor, our Company, at the direction of Champion Success and Magic Pioneer, credited as fully paid one nil paid Share in our Company held by Gold Cavaliers and issued 299 and 20 fully paid Shares, respectively to Gold Cavaliers and Profound Wellness. Immediately after this share swap, our Company is owned as to approximately 93.75% (300 Shares) by Gold Cavaliers and as to approximately 6.25% (20 Shares) by Profound Wellness.

HISTORY, DEVELOPMENT AND REORGANISATION

On 14 June 2017, we completed all steps of the Reorganisation. Our Directors confirm that no regulatory approval for the Reorganisation is required. The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganisation, but before the completion of the Share Offer and the Capitalisation Issue:



SHARE OFFER AND CAPITALISATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the New Shares pursuant to the Share Offer, our Directors are authorised to capitalise an amount of HK\$3,199,996.80 standing to the credit of the share premium account of our Company by applying such sum towards paying up in full at par a total of 319,999,680 Shares for allotment and issue to Gold Cavaliers and Profound Wellness on a pro rata basis.

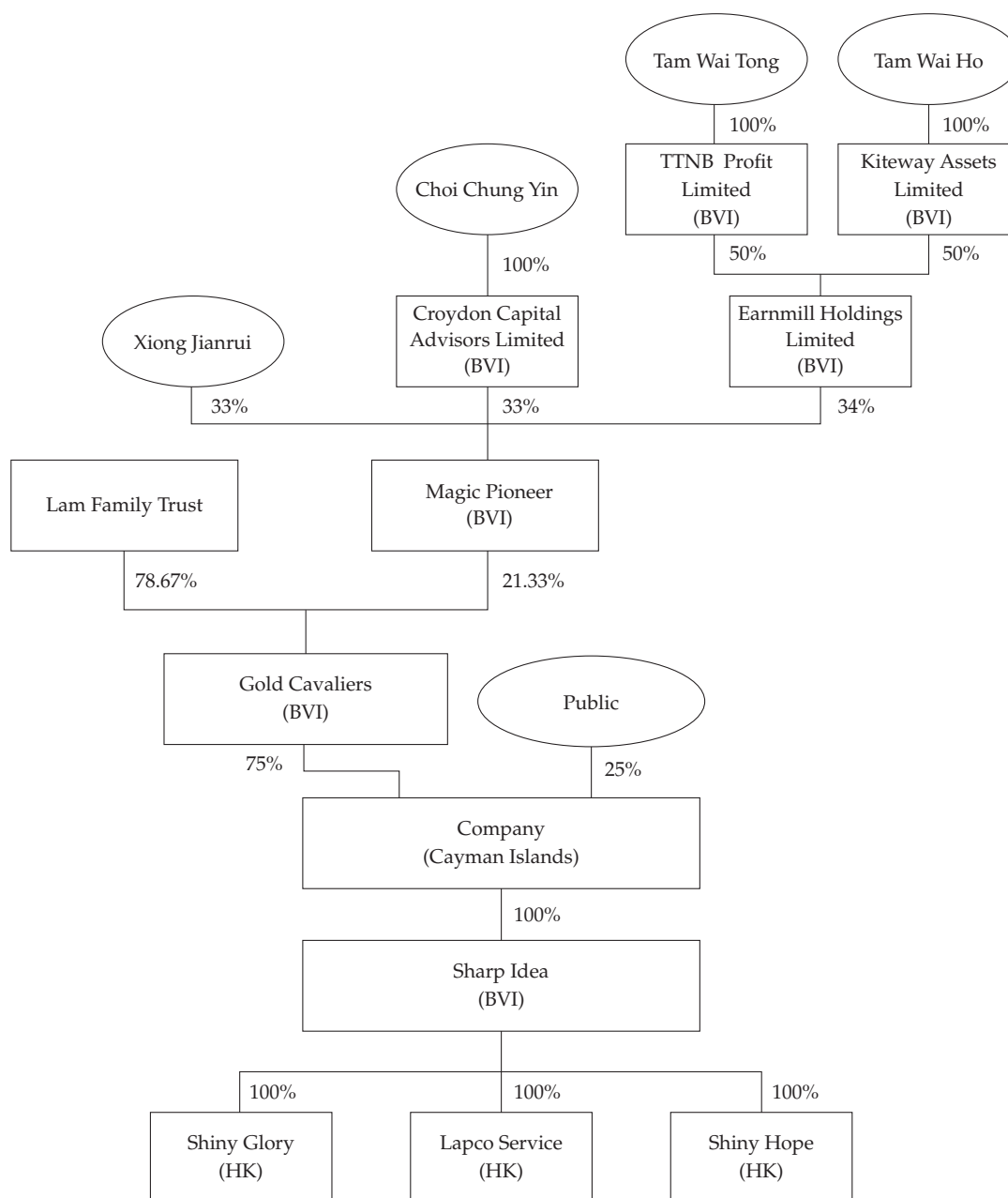
As part of the Placing, the Selling Shareholder (i.e. Profound Wellness) will offer 20,000,000 Sale Shares for sale. Further details on the sale of the Sale Shares by the Selling Shareholder are set forth in the paragraphs headed "Other information — 16. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.

Under the Placing, our Company will offer 70,000,000 New Shares, which, together with the 20,000,000 Sale Shares offered by the Selling Shareholder, represent the Placing Shares and 22.5% of total issued share capital of our Company as enlarged by the Shares offered under the Share Offer, for subscription by the professional, institutional and other investors.

HISTORY, DEVELOPMENT AND REORGANISATION

Under the Public Offer, our Company will offer 10,000,000 Public Offer Shares, representing approximately 2.5% of the issue share capital of our Company as enlarged by the Shares offered under the Share Offer, for subscription by members of the public in Hong Kong.

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option):



The Lam Family Trust was established by Mr. Lam and Ms. Wong as settlors, with Max Super acting as the trustee. The Lam Family Trust is a discretionary trust with Mr. Lam and Ms. Wong as beneficiaries.

HISTORY, DEVELOPMENT AND REORGANISATION

PRE-IPO INVESTMENT

On 15 April 2016, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer for the consideration of HK\$12,000,000, which was determined with reference to the net asset value of Shiny Glory, Lapco Service and Shiny Hope and irrevocably settled and paid in full on 15 April 2016.

Subsequently, pursuant to the share swap agreement dated 14 June 2017 entered into amongst Champion Success, Magic Pioneer and our Company, Champion Success and Magic Pioneer transferred 800 and 200 shares in Sharp Idea, respectively held by them, representing the entire issued share capital of Sharp Idea, to our Company. In exchange therefor, our Company, at the direction of Champion Success and Magic Pioneer, credited one nil paid Share held by Gold Cavaliers as fully paid and further issued 299 and 20 fully paid Shares, respectively to Gold Cavaliers and Profound wellness. Upon completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option), 300,000,000 Shares will be owned by Gold Cavaliers and accordingly, Magic Pioneer, through its approximately 21.33% interests in Gold Cavaliers, will be indirectly interested in approximately 15.99% of the entire issued share capital of our Company.

The table below sets forth details of the Pre-IPO Investment made by Magic Pioneer.

Consideration paid	HK\$12,000,000
Basis of determining the consideration	Net asset value of Shiny Glory, Lapco Service and Shiny Hope
Payment date of consideration	15 April 2016
Number of shares in Sharp Idea acquired from Champion Success	200
Number of Shares held upon Capitalisation Issue	300,000,000 Shares, through Gold Cavaliers (Magic Pioneer is interested in 2,133 Shares in Gold Cavaliers, representing approximately 21.33% of the entire issued share capital in Gold Cavaliers)
Investment cost per Share upon Capitalisation Issue	On the basis that Magic Pioneer is, indirectly through Gold Cavaliers, interested in 63,990,000 Shares (representing an effective interest of approximately 15.99% in our Company upon the completion of the Capitalisation Issue), the cost for each Share is approximately HK\$0.19.
Discount to the Offer Price	62%

HISTORY, DEVELOPMENT AND REORGANISATION

Appropriate percentage of shareholding held in our Company upon Listing	Effective interest of approximately 15.99% through Gold Cavaliers
Use of proceeds	Personal use of Mr. Lam
Strategic benefit to our Company	To our best knowledge and belief, Magic Pioneer invests in companies with potentials, as such, we believe they could provide us with valuable advice on finance and investment in the future.
Special rights	Not entitled to any special rights
Lock-up period	Magic Pioneer and each of its ultimate individual beneficial owners, namely Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong and Mr. Tam Wai Ho, have undertaken to our Company for a period of 12 months from the Listing Date not to dispose of (save pursuant to a pledge or charge as security for a bona fide commercial loan) their respective equity interests in any corporate entity directly and/or indirectly holding our Shares.
Relationship with our Company	Except for its approximately 21.33% interest in Gold Cavaliers and the interest in Magic Pioneer of Mr. Choi Chung Yin, our non-executive Director, as disclosed in the paragraphs headed "Brief description of Magic Pioneer" below, Magic Pioneer has no other relationship with our Company or any of the connected persons of our Company.
Public Float	The approximately 15.99% indirect interests in our Company held through Gold Cavaliers, by Magic Pioneer will not be counted towards the public float for the purpose of Rule 8.24 of the GEM Listing Rules since Gold Cavaliers is a core connected person of our Company.

Our Directors confirm that the Pre-IPO Investment has been legally completed and settled; and no regulatory approval for the Pre-IPO Investment is required.

HISTORY, DEVELOPMENT AND REORGANISATION

Brief description of Magic Pioneer

Magic Pioneer Limited is an investment holding company incorporated in the BVI on 31 January 2000 with limited liability, which is owned as to 34% by Earnmill Holdings Limited, as to 33% by Croydon Capital Advisors Limited and as to 33% by Mr. Xiong Jianrui. Mr. Xiong Jianrui is a private investor and a partner of Infinity Group, a leading Israeli-Chinese private equity fund.

Croydon Capital Advisors Limited is wholly owned by Mr. Choi Chung Yin, our non-executive Director. Further details on the background and relevant experience of Mr. Choi are set forth in the paragraphs headed “Directors and senior management — Non-executive Director” in this prospectus.

Earnmill Holdings Limited is equally owned by TTNB Profit Limited, which is in turn wholly owned by Mr. Tam Wai Tong, and Kiteway Assets Limited, which is in turn wholly owned by Mr. Tam Wai Ho. Mr. Tam Wai Tong and Mr. Tam Wai Ho are brothers and private investors and entrepreneurs who possess about 30 years of experiences in manufacturing of electronic dictionaries and handheld information devices.

Mr. Lam became acquaintance of Mr. Tam Wai Tong through a social event, and Mr. Choi Chung Yin, Mr. Tam Wai Ho and Mr. Xiong Jianrui were subsequently introduced to Mr. Lam through Mr. Tam Wai Tong.

Confirmation from the Sole Sponsor

The Sole Sponsor confirms that the Pre-IPO investment is in compliance with the Interim Guidance on Pre-IPO investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEx-GL-43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

OVERVIEW

We are an established one-stop environmental hygiene service provider based in Hong Kong. According to Frost & Sullivan, we ranked the ninth in 2016 among environmental hygiene service providers in Hong Kong and had 3.3% of market share in terms of revenue generated. According to Frost & Sullivan, the total contract sum of street cleaning service contract awarded by our largest customer, being a department of the HK Government responsible for food and environmental hygiene, reached HK\$762.4 million in 2016 and was shared by only five service providers, among which we ranked the third in terms of the contract sum of HK\$132.2 million awarded to us.

Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. Our history dates back to 1990, when one of our operating subsidiaries, Shiny Glory, was incorporated, giving us a track record of over 26 years as an environmental hygiene service provider. We commenced our business operations as a waste management service provider. Seeing the demand for more diversified types of environmental hygiene services, we have expanded our business operations to provide cleaning services and pest management services since 1997 and 2000, respectively. We then further expanded our environmental hygiene services to provide landscaping services in March 2016.

We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions, etc. Our major customers during the Track Record Period include various departments of the HK Government, property management companies and other corporations in the private sector. During the two years ended 31 December 2016, we generated total revenue of approximately HK\$363.5 million and HK\$404.1 million, respectively, while our net profit amounted to approximately HK\$15.1 million and HK\$8.8 million, respectively.

According to Frost & Sullivan, the environmental hygiene service industry in Hong Kong has strong growth potentials. The market drivers include, mainly (a) increasing awareness on public hygiene due to large-scale disease outbreaks in the past; (b) HK Government's regulations on environmental hygiene; and (c) increasing number of various types of buildings and venues. Further details are set forth in the section headed "Industry overview" in this prospectus. With a proven track record of over 26 years as an environmental hygiene service provider, our Directors believe that we are well-positioned to capture the growing demand for environmental hygiene services in Hong Kong.

COMPETITIVE STRENGTHS

Our competitive strengths are key factors contributing to our success to date. Our Directors believe that the following competitive strengths will continue to enhance our presence and increase our market share in the environmental hygiene service industry.

Well-established presence in the environmental hygiene service industry in Hong Kong

We are an established one-stop environmental hygiene service provider based in Hong Kong. According to Frost & Sullivan, we ranked the ninth in 2016 among

environmental hygiene service providers in Hong Kong and had 3.3% of market share in terms of revenue generated. According to Frost & Sullivan, the total contract sum of street cleaning service contract awarded by our largest customer, being a department of the HK Government responsible for food and environmental hygiene, reached HK\$762.4 million in 2016 and was shared by only five service providers, among which we ranked the third in terms of the contract sum of HK\$132.2 million awarded to us. Driven by the increasing public awareness of environmental hygiene due to outbreaks of past diseases and the rising number of both commercial and residential buildings, the market size of the environmental hygiene service industry in Hong Kong is expected to further grow from HK\$13,421.8 million in 2016 to HK\$17,250.1 million in 2020, representing a CAGR of 6.5% from 2016 to 2020, according to Frost & Sullivan. With over 26 years of experience in the environmental hygiene service industry, our Directors believe that we have established a market reputation in offering high quality environmental hygiene services and are well-positioned to capture the growing demand for environmental hygiene services.

We have established business relationships with public sector customers

Our business relationship with the public sector has thrived since our first successful tender with the HK Government in 1997. We have since 1998 become an approved supplier of among others, public cleaning and waste collection, cleaning of premises and hygienic services for toilet and other facilities under the list of supplier of goods and services maintained by the predecessor government department of FEHD and LCSD. Further, we have since 1999 and 2005, respectively, become an approved supplier/contractor of cleaning services under the lists of supplier/contractors approved by a department of the HK Government responsible for provision of suitable government accommodation to civil servants and a department of the HK Government responsible for combating crimes. Our Directors believe that the inclusion of our Group in these approved lists is a recognition of the quality of service we provide as we demonstrate our abilities in offering competitive tenders and maintaining satisfactory performance in connection with the service contracts awarded to us in order to continue staying on these approved lists. As at the Latest Practicable Date, we had over 18 years of business relationship with our largest customer during the Track Record Period.

For the two years ended 31 December 2015 and 2016, revenue generated from public sector customers were approximately HK\$341.7 million and HK\$382.4 million, representing approximately 94.0% and 94.6% of our total revenue for the same period. We believe our established business relationships with the public sector customers render us less susceptible to changing economic conditions and reduce our exposure to credit risk. As such, we were able to generate a stable flow of revenue and cash from our solid customer base during the Track Record Period.

We have a proven track record in providing comprehensive and high quality environmental hygiene services to our customers

We recognise the importance of addressing the overall needs of our customers. As some of our customers often require more than one types of the environmental hygiene services provided by us, our Directors consider that our ability in offering a comprehensive range of environmental hygiene services could save our customers' time

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and costs from engaging different service providers for different types of services they need. For instance, during the Track Record Period, we provided three out of our four types of our environmental hygiene services to our largest and second largest customers. Further details on our top customers are set forth in the paragraphs headed “Customers — Top customers” in this section. Our Directors believe that our ability in offering one-stop environmental hygiene services will also enable us to secure new customers more easily through our cross-selling efforts.

We devote substantial efforts to ensure the quality of our environmental hygiene services. We adopt ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 as standards for our quality management, environmental management and occupational health and safety management systems, respectively. Further details are set forth in the paragraphs headed “Quality control” in this section.

We have an experienced management team and substantial operational resources

We are led by, among others, Mr. Lam, our founder, chairman, executive Director, chief executive officer, and Ms. Wong, a member of our senior management, who have over 26 and 25 years of experience in the environmental hygiene service industry, respectively. Further details on our Directors and senior management are set forth in the section headed “Directors and senior management” in this prospectus. We believe that the extensive experience of our management team and their in-depth understanding of the industry enable us to understand the needs of our customers and ensure the quality of our service.

As at 31 May 2017, we employed 2,558 employees (including full-time and part-time). As at 31 December 2016, we owned a fleet of 161 vehicles to support our daily operation. A majority of our vehicles are equipped with GPS through which we can track the location of our vehicles and drivers instantly and allocate our operational resources more efficiently. A number of our employees hold certifications required in our operation. We also arrange our employees to attend training courses on job safety and job specific skills from time to time. Further details are set forth in the paragraphs headed “Employees, staff training and development” in this section. Our specialised vehicles and equipment include street washing vehicles, mechanical street sweeping vehicles, waste compaction vehicles, tipper lorries, hot water high pressure cleaners, cold water high pressure cleaners and wet and dry vacuum cleaners. Further details are set forth in the paragraphs headed “Major assets and equipment” in this section. Our substantial resources allow us to cater for our customers’ demand flexibly and efficiently.

BUSINESS STRATEGIES AND FUTURE PLANS

We aim to achieve sustainable growth and further strengthen our overall competitiveness and business growth in the environmental hygiene service industry in Hong Kong. To achieve this, we plan to adopt the following strategies to capitalise on opportunities to leverage our competitive strengths:

Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong

The delivery of our environmental hygiene services requires substantial operational resources. In particular, we deploy different types of vehicles and equipment in performing our cleaning services and waste management and recycling services.

As at the Latest Practicable Date, we had 27 waste compaction vehicles, all of which are assigned for performing on our waste management and recycling service contracts on hand. In particular, we were awarded three five-year waste management and recycling service contracts in Mongkok, certain selected refuse collection points in different districts in Hong Kong and Wan Chai District by our largest customer in February 2017 and April 2017, with total contract sum of HK\$53.0 million, HK\$72.6 million and HK\$54.0 million, respectively. As at the Latest Practicable Date, we have also submitted and intend to submit tenders for four other waste management and recycling service contracts in different districts of Hong Kong with contractual terms commencing from 2017 to 2022 or from 2018 to 2023. Nine of our existing waste management and recycling service contracts entered into with the HK Government with terms ranging from two years to five years and aggregate contract sum up to HK\$445.0 million will expire in 2018 to 2019 and 2021 and 2022, respectively. We intend to submit tenders for renewal of these contracts upon their expiry. We have also received ten invitations for tender/quotation for provision of waste management and recycling services to shopping malls, academic institutes or residential premises. Taking into account the above, we plan to purchase four additional waste compaction vehicles as new additions to increase our service capacity and accommodate our business growth.

We also intend to purchase three additional grab lorries and three additional street washing vehicles complying with Euro 5 emission standards with lower emissions and higher fuel efficiency compared to our existing vehicles to replace some of our existing grab lorries and street washing vehicles. As at the Latest Practicable Date, we had 17 grab lorries and 20 street washing vehicles. As disclosed in the paragraphs headed “Major assets and equipment” in this section, some of our grab lorries and street washing vehicles have long years of service and will need to be replaced.

As of the Latest Practicable Date, we had 28 mobile refuse compactors. We intend to purchase three additional mobile refuse compactors as new additions to expand our overall capacity. We had received an invitation for tender/quotation for provision of waste management and recycling services to a shopping mall which requires additional mobile refuse compactors. Our Directors believe that the purchase of additional mobile refuse compactors would enable us to secure new contracts for provision of waste management and recycling services from private sector customers.

Furthermore, we plan to strengthen our manpower by hiring additional staff including an operation manager and an assistant marketing manager. As at 31 May 2017, we had two operation managers who are responsible for providing supervision to our supervisors and foremen to improve the overall project management and quality control of our services. We intend to hire an additional operation manager with at least five to 10 years of relevant experience to ease the workload of our existing two operation managers

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and achieve better overall project management. As at the Latest Practicable Date, we have one senior marketing manager, being Mr. Wong Tsz Chun, Jacky, our executive Director, who is responsible for providing supervision to the marketing department, which had six members as at 31 May 2017, in respect of the preparation of tenders and quotations. During the two years ended 31 December 2016, we submitted 187 and 181 tenders/quotations, respectively. The submission of tenders and quotations to our customers requires a lot of preparation work including but not limited to analysis on cost of services and planning on resources allocation. Further details are set forth in the paragraphs headed “Operations — Tender and quotation preparation” in this section. At times, we may not be able to submit tenders or quotations even though we were aware of the business opportunities as we did not have enough manpower to do so. We intend to submit more tenders/quotations going forward as our Directors believe that this would enable us to secure more contracts and enhance our tender/quotation success rate. We plan to hire an assistant marketing manager with at least three to five years of relevant experience who will be responsible for assisting our senior marketing manager in preparing tenders and quotations and soliciting new customers from the private sector through promoting our services to our target customers.

We intend to utilise approximately HK\$10.0 million or 48.1% of the net proceeds from the Share Offer on acquiring vehicles, approximately HK\$1.0 million or 4.8% of the net proceeds from the Share Offer on acquiring equipment and approximately HK\$1.6 million or 7.7% of the net proceeds from the Share Offer on hiring additional manpower.

Enhance the information technology application system to enhance operational efficiency

With our continuous growth in our scale of operations, we plan to invest in the enterprise resource planning system, which would help us collectively analyse information and records of our human resources and finance system. The enterprise resource planning system would enhance our overall operational efficiency by replacing our existing manual record keeping procedures on our employee attendance record and personal information files, etc. Given our large number of employees, our Directors consider that the enterprise resource planning system, which could provide a consolidated record of our employee attendance record, would enable us to efficiently monitor the allocation of our human resources and streamline our salary calculation and payment procedures. We would also need to upgrade our network backbone and hardware to build a more robust and reliable information technology system. Our Directors believe that through the continuous upgrading and maintenance of the information technology system, our Group will be able to improve our operational efficiency, reduce our administrative costs and provide better support to environmental hygiene services in the long run.

We intend to utilise approximately HK\$3.0 million or 14.4% of the net proceeds from the Share Offer on enhancing information technology applications.

Expand our presence in the private sector to diversify our customer base

Our Directors believe that having a larger customer base is crucial to our long-term growth and is likely to alleviate our Group from the risks associated with customer

concentration. Historically, we have put more focus on our public sector customers, which is evident from the higher tender success rate of the public sector compared to that of the private sector during the Track Record Period. Further details are set forth in the paragraphs headed “Operations — Tender and quotation preparation” in this section. Given that the market size of the environmental hygiene service industry in Hong Kong is expected to further grow from HK\$13,421.8 million to HK\$17,250.1 million in 2020, representing a CAGR of 6.5% from 2016 to 2020, our Directors intend to expand our marketing department to capture the growing demand for environmental hygiene services. As mentioned above, we intend to submit more tenders/quotations. In particular, we intend to expand our presence in the private sector. We plan to hire an assistant marketing manager who will be responsible for soliciting new customers from the private sector through promoting our services to our target customers. Through our communications with potential private sector customers, we will become aware of more tenders/quotation opportunities and our marketing team can prepare for such tenders/quotation accordingly. As mentioned above, we would also purchase additional equipment to accommodate the expected increase in number of customers or contracts from the private sector. Our Directors believe this is part of our strategy in reducing our level of reliance on our largest customer and diversifying our customer base.

We intend to utilise approximately HK\$1.6 million or 7.7% of the net proceeds from the Share Offer on hiring additional manpower including an assistant marketing manager.

REASONS AND BENEFITS OF LISTING ON GEM

Our Directors believe that the Listing is beneficial to our Group in the long run due to the following reasons:

Proceeds from Share Offer to finance our expansion plan

Our Directors firmly believe that it is necessary for our Group, after over two decades of business operations, to have our own equity financing platform for our further business development. The Listing represents the first step of this effort to have a direct access to the equity capital markets. For the proceeds from the Share Offer, as disclosed in the paragraphs headed “Business strategies and future plans” in this section and the section headed “Future plans and use of proceeds” in this prospectus, they will mainly be used for expanding our operational resources and financing our working capital up to 31 December 2019. The above expansion plan will be entirely financed by the net proceeds from the Share Offer.

Future access to capital raising platform

With the Listing status, we will have the opportunity to access to additional equity financing with minimum additional finance costs. Our Directors also expect that we would be able to negotiate with banks for better terms of financing to implement our future business plans following the Listing with financial and operational transparency as a listed company. Although the amount of the Listing expenses represents a significant proportion of the net proceeds from the Share Offer, these are non-recurring costs that our Group would not have to pay following completion of the Listing. The Listing will

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therefore be advantageous to our Group not only on the proceeds that could be raised through the Share Offer upon Listing, but also on the fund raising opportunities that may be available to our Group subsequent to the Listing.

Equity fund raising without increasing our gearing ratio

During the Track Record Period, we utilised our banking facilities, internal financial resources and amount due to related parties to finance our business operations. Our cash and cash equivalent amounted to approximately HK\$15.4 million and HK\$4.6 million as at 31 December 2015 and 31 December 2016. Our net current assets amounted to approximately HK\$4.8 million and HK\$5.6 million as at 31 December 2015 and 31 December 2016.

We intend to continue to operate our business at gearing ratio comparable to our past gearing ratio during the Track Record Period. Although we may finance our expansion plan by banking facilities or internal financial resources alternative to the Listing, our Directors believe that the above two funding options are not mutually exclusive. Our finance costs amounted to approximately HK\$3.5 million and HK\$3.6 million for the two years ended 31 December 2015 and 2016 respectively. Our Directors are of the view that the interest rate for debt financing may soar in the medium term as a result of the anticipated increases in the U.S. interest rates. The Listing could enhance our healthy liquidity position without increasing our gearing ratio.

A public Listing status will enhance our corporate profile

The Listing will also enhance our corporate profile among our customers, suppliers and other business partners, as well as our ability to recruit, motivate and retain key management personnel. Our Directors are aware that over the past few years, some of the established environmental hygiene service providers have become listed companies on the Stock Exchange. Our Directors believe that the Listing will allow us to enhance our competitiveness against our competitors as our customers may prefer to engage a service provider which is a listed company with higher corporate profile and credibility, sound internal and corporate governance practice and regulatory supervision. We will therefore be in a better position to attract more potential customers and solicit more large-scale businesses upon the Listing.

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OUR SERVICES

During the Track Record Period, majority of our revenue was derived from contracts with fixed contractual terms. The following table sets forth a breakdown of our revenue and service contracts by business segments during the Track Record Period:

	For the year ended 31 December					
	2015			2016		
	HK\$'000	Number of contracts performed	% of total revenue	HK\$'000	Number of contracts performed	% of total revenue
Cleaning services						
– Street cleaning services ^(Note 1)	239,030	16	65.8	259,894	18	64.3
– Cultural, leisure and recreational premises cleaning services	44,461	2	12.2	59,237	4	14.6
– Residential premises cleaning services	15,464	8	4.2	16,131	8	4.0
– Other cleaning services ^(Note 2)	6,444	27	1.8	8,720	26	2.2
Subtotal	<u>305,399</u>	<u>53</u>	<u>84.0</u>	<u>343,982</u>	<u>56</u>	<u>85.1</u>
Pest management services	43,346	6	11.9	31,552	3	7.8
Waste management and recycling services	14,722	20	4.1	27,870	21	6.9
Landscaping services	–	–	–	720	1	0.2
Total	<u><u>363,467</u></u>	<u><u>79</u></u>	<u><u>100.0</u></u>	<u><u>404,124</u></u>	<u><u>81</u></u>	<u><u>100.0</u></u>

Notes:

1. Street cleaning services include cleaning services for streets and markets.
2. Other cleaning services include cleaning services for commercial buildings and academic institutions, etc.
3. For the purpose of calculating number of contracts performed, the contracts providing one-off services are excluded.

Cleaning services

Our cleaning segment forms our core service. We provide cleaning services mainly in streets, cultural, leisure and recreational premises and residential premises. Most of our contracts for street cleaning services and cultural, leisure and recreational premises cleaning services are tender contracts entered into with the HK Government, whereas our contracts for residential premises (including public housing estates and private residential premises) cleaning services are entered into with both the HK Government and private sector customers such as property management companies. The duration of our cleaning service contracts generally ranges from one to five years.

A large portion of our revenue during the Track Record Period was generated from street cleaning service contracts with the HK Government that we obtained from open tenders. We are an established one-stop environmental hygiene service provider based in Hong Kong. According to Frost & Sullivan, we ranked the ninth in 2016 among environmental hygiene service providers in Hong Kong and had 3.3% of market share in terms of revenue generated. According to Frost & Sullivan, the total contract sum of street cleaning service contract awarded by our largest customer, being a department of the HK Government responsible for food and environmental hygiene, reached HK\$762.4 million in 2016 and was shared by only five service providers, among which we ranked the third in terms of the contract sum of HK\$132.2 million awarded to us. During the Track Record Period, we provided street cleaning services in different districts across Hong Kong Island, Kowloon and the New Territories. We pride ourselves in our ability to win tenders for street cleaning services from the HK Government.

The scope of our cleaning services includes street sweeping, street and market washing, emptying and cleaning/washing of litter container, cleaning and performing attendant duties to public toilets including replenishment of consumable items and minor maintenance and repair, cleaning for designated sites such as refuse collection points, polishing and waxing of floor and cleaning of curtain walls and windows. In accordance with our cleaning service contract, we are required to provide the specified type of cleaning services at a pre-defined time interval (e.g. daily, weekly, monthly, etc.) for designated areas (e.g. refuse collection sites, escalators, corridors, etc.) by employing the specified type and number of vehicles and cleaning equipment and the required number of workers during the work shift specified.

We deploy specialised vehicles and mechanical cleaning equipment when providing cleaning services including street washing vehicles, mechanical street sweeping vehicles, tipper lorries, grab lorries, hot water high pressure cleaners, cold water high pressure cleaners, walk behind scrubbers, wet and dry vacuum cleaners and electricity generators. Further details on the vehicles and equipment are set forth in the paragraphs headed “Major assets and equipment” in this section.

As at 31 May 2017, we had 2,088 employees (including full-time and part-time) in our operation team providing cleaning services to our customers.

Pest Management services

During the Track Record Period, all of our pest management service contracts were entered into with the HK Government. The duration of our pest management service contracts entered into with the HK Government ranges from 24 months to 30 months. We provided pest management services primarily in different districts in Hong Kong such as Kwai Ching District, Sha Tin District, Tsuen Wan District and Wan Chai District.

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Our pest management services aim to eradicate harmful pests while taking into account the basic principles of public health and environmental protection. The scope of our pest management services includes mosquito control, rodent control and other pest control through spraying or fogging pesticides, trapping of pests and placement of rat baits. We are also responsible for disposal of dead rodents and waste arising from performance of our pest management services. We are required to comply with the staff, vehicle and equipment requirements as stipulated in our pest management service contracts.

As at 31 May 2017, we had 293 employees (including full-time and part-time) in our operation team providing pest management services to our customers.

Waste management and recycling services

We provide waste management and recycling services to customers in both the public and private sector. The duration of our waste management and recycling service contracts ranges from 12 months to 60 months. We provide waste management and recycling services in different districts within Hong Kong such as outlying islands and Lap Sap Wan, special sites/area, residential premises and hotels, restaurants, wholesale markets and charitable organisations etc. The types of waste that we handle generally include street waste, household waste and industrial waste.

We provide one-stop waste management and recycling solutions to our customers which involve collection, transportation, disposal and in certain cases, the transportation of different types of recyclables including glass bottle, electrical and electronic equipment, paper, plastics and metals to various transfer facilities.

We deploy specialised vehicles and mechanical equipment when providing waste management and recycling services including waste compaction vehicles, tipper lorries and hook-lift trucks and grab lorries. Further details on the vehicles and equipment are set out in the paragraphs headed "Major assets and equipment" in this section.

The Waste Disposal Ordinance prohibits the collection, removal and disposal of waste by any person if the EPD or the FEHD has already provided such services at the location unless such person is licenced by the EPD or the FEHD. We collect waste from waste collection points at our customers' location and transport them to government designated waste disposal facilities only if neither the FEHD nor the EPD provides the same service at the same location. Pursuant to a confirmation letter dated 20 September 2016, the FEHD has confirmed that they had not established any licensing mechanism system for the provision of waste collection and disposal services and as advised by our Hong Kong Legal Counsel, we are in compliance with the Waste Disposal Ordinance notwithstanding the fact that we provide waste management and disposal services without obtaining a licence. Further details are set forth in the paragraphs headed "Environmental compliance — Compliance with the Waste Disposal Ordinance" in this section.

As at 31 May 2017, we had 135 employees (including full-time and part-time) in our operation team providing waste management and recycling services to our customers.

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Landscaping services

We commenced our landscaping services in March 2016 by obtaining our first landscaping services contract from the HK Government with a duration of two years. The scope of our landscaping services cover undergrowth cutting services in six districts of Hong Kong. As at the Latest Practicable Date, we had only entered into one service contract for provision of landscaping services to a department of the HK Government.

As at 31 May 2017, we had three employees (including full-time and part-time) in our operation team providing landscaping services under our landscaping contract.

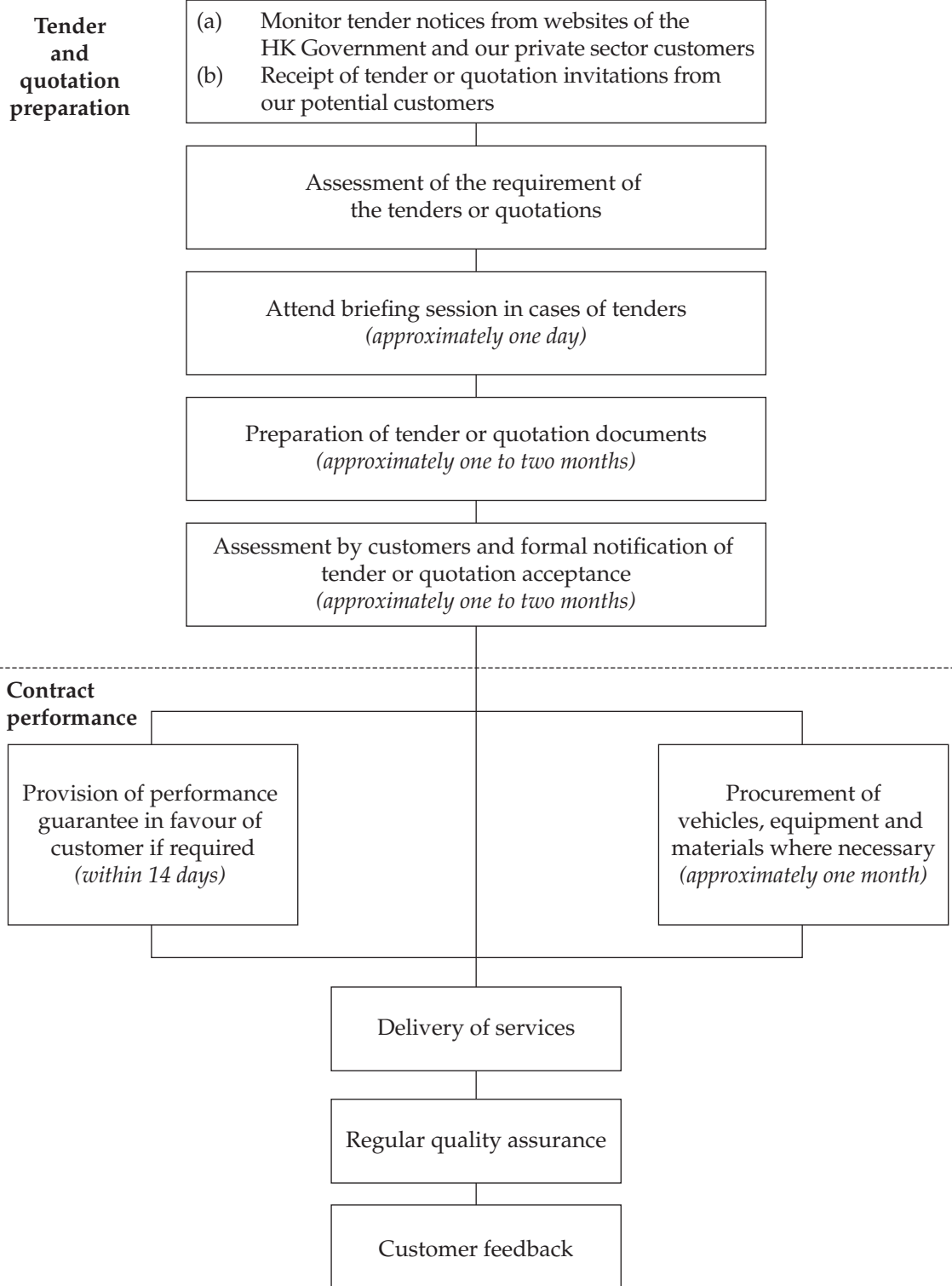
OPERATIONS

We either obtain contracts through tendering or enter into contracts directly with our customers after providing our quotations. A significant portion of our revenue during the Track Record Period is attributable to contracts obtained through tendering as most of our service contracts are entered into with the HK Government and hence obtained through tendering. Our service contracts entered into with private sector customers are obtained through both tendering and providing quotations. The following table sets forth the breakdown of revenue by contract types:

	For the year ended 31 December			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Tender contracts	359,952	99.0	401,067	99.2
Quotations	<u>3,515</u>	<u>1.0</u>	<u>3,057</u>	<u>0.8</u>
Total	<u><u>363,467</u></u>	<u><u>100.0</u></u>	<u><u>404,124</u></u>	<u><u>100.0</u></u>

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The following flowchart illustrates our general tendering work flow:



Tender and quotation preparation

We regularly monitor tender notices from websites of the HK Government and our private sector customers. We also from time to time receive tender or quotation invitations from our potential customers. Our marketing department is responsible for assessment and preparation of tenders and quotations. When we receive a tender or quotation invitation, our marketing department will first make a preliminary assessment of the requirements of the tender or quotation and prepare a summary setting out details of the project including the name of the potential customer, service location, scope of services, staff and other resources requirement and other specific requirements of the potential customers. Based on this assessment, our management team would decide whether to bid for the tenders or provide quotations in response to potential customers' requests.

In preparing for the terms of our tenders and quotations, we take into account a number of factors such as (a) our relationship with the customer; (b) the prevailing market rates; (c) our available resources and needs for procurement of additional resources including vehicles, equipment, materials and manpower; (d) our available banking facilities for provision of performance guarantee; (e) the cost and potential increase in costs within the contractual terms (including the potential effect of the statutory minimum wage requirements in particular); (f) the need for taking out insurance policies; (g) the competition within the industry; and (h) the expected profit margin. Generally, the tenders to be submitted with the HK Government require more detailed documentation such as (a) detailed work plan; (b) management plan; (c) quality assurance plan; and (d) contingency plan. To maintain the quality of our services, we have an internal procedure for selecting suppliers as set out in the paragraphs headed "Suppliers and subcontractors — Criteria for selecting suppliers" in this section. Upon approval by our management team, we would proceed to submit our tenders or quotations to our potential customers for assessment.

If we are awarded the tenders or our customers agree on the quotation we provided, we will be granted a letter of acceptance and/or enter into a formal contract with our customers. Further details on the general terms of contracts with our customers are set out in the paragraphs headed "Customers — General terms of contracts with our customers" in this section.

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The following tables set forth the number of tenders/quotations submitted and the number of tenders/quotations awarded to us during the Track Record Period for each of the public and private sectors:

	For the year ended	
	31 December	
	2015	2016
Public sector		
Number of tenders/quotations submitted	62	61
– Number of tenders/quotations for new contracts	52	52
– Number of tenders/quotations for renewal of contracts	10	9
Number of tenders/quotations awarded to us <i>(Note)</i>		
– Number of new contracts awarded to us	12	13
– Number of contracts successfully renewed	3	2
	<u>15</u>	<u>15</u>
Total	15	15
Tender/quotation success rate	24.2%	24.6%
Private sector		
Number of tenders/quotations submitted	125	120
– Number of tenders/quotations for new contracts	108	92
– Number of tenders/quotations for renewal of contracts	17	28
Number of tenders/quotations awarded to us <i>(Note)</i>		
– Number of new contracts awarded to us	8	4
– Number of contracts successfully renewed	16	17
	<u>24</u>	<u>21</u>
Total	24	21
Tender/quotation success rate	19.2%	17.5%

Note: The number of tenders/quotations awarded to us during the respective year is different from the number of contracts performed during the respective year because (a) certain tenders/quotations performed during the respective year were not awarded to us during the respective year; and (b) certain tenders/quotations awarded to us during the respective year were not performed during the respective year depending on the commencement date of the relevant tenders/quotations.

Success rate is calculated as to the number of tenders/quotations awarded during the year divided by the number of tenders/quotations submitted during the respective year.

The tender/quotation success rate for the public sector remained relatively stable during the Track Record Period.

The tender/quotation success rate decreased slightly from 19.2% for year ended 31 December 2015 to 17.5% for the year ended 31 December 2016 primarily due to the decrease of the number of new private contracts awarded to us from eight to four. However our revenue generated from private sector remained constant for the two years ended 31 December 2015 and 2016, at approximately HK\$21.8 million and HK\$21.7 million respectively. Moreover, the revenue contribution from private sector as a whole recorded only a minor drop of 0.6% from approximately 6.0% for the year ended 31 December 2015 to approximately 5.4% for the year ended 31 December 2016. Our Directors believe that the decrease in number of new contracts awarded to us is attributable to our less aggressive approach in tendering and thus less competitive tender prices than those of our competitors in view of our available banking facilities for provision of performance guarantee.

Contract Performance

When a service contract is awarded, we will make arrangements in accordance with the contractual terms for providing our service. If required under the contract, we will provide performance guarantee in favour of our customers as security for due performance of our contractual obligations. Our operation department is responsible for arranging allocation of vehicles, equipment, materials and manpower and execution of our detailed work plan. Our operation department would liaise with our human resources department to ensure there is sufficient manpower for performing our contracts. Our procurement department is responsible for procurement of vehicles, equipment and materials from our suppliers.

The allocation arrangement of ground staff and management staff involved for each contract varies depending on the scale of each project. Our ground staff consists of a team of frontline cleaners or workers and drivers, led by a supervisor or foreman who is responsible for providing ground-level supervision on assurance of service quality and handling of complaint and emergency matters. Our supervisor and foreman are supervised by our operation managers, who are responsible for providing overall project management throughout the service period including allocation of operational resources and attending regular meetings for communications with representatives of our customers.

For quality assurance purpose, our supervisors or foremen would conduct onsite inspection regularly, carry out surprise visits in our service locations and record occasions of sub-standard performance accordingly. Where the contract is a tender contract with the HK Government, government staff will regularly inspect the sites to ensure the quality of our service meets the tender requirements. When our onsite foreman or supervisor receives any unsatisfactory feedback or complaint from customers, we would consider whether it relates to the quality of our services, the progress of the work and materials or other issues such as environmental, health or safety concerns and we would perform rectification works accordingly. During the Track Record Period, our Directors confirm that we did not receive any material claims from our customers in respect of the quality of services provided.

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CUSTOMERS

During the Track Record Period, we derived our revenue mainly from the public sector. The following table sets forth a breakdown of our revenue during the Track Record Period by types of customers:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector ^(Note 1)	341,685	94.0	382,400	94.6
Private sector ^(Note 2)	21,782	6.0	21,724	5.4
Total	363,467	100.0	404,124	100.0

Notes:

1. Public sector refers to the departments of the HK Government.
2. Private sector refers to all companies and corporate bodies other than departments of the HK Government, such as statutory organisations, universities and companies receiving substantial funding of the HK Government.

Top customers

For the two years ended 31 December 2015 and 2016, revenue attributable to our largest customer amounted to approximately 81.1% and 78.1%, respectively, while revenue attributable to our five largest customers in aggregate amounted to approximately 96.2% and 95.7%, respectively.

The following tables set forth certain information with respect to our five largest customers based on the ranking of their contribution to our total revenue during the Track Record Period:

For the year ended 31 December 2015:

Rank	Customer	Principal business activities	Years of business relationship (years)	Major services provided	Revenue <i>HK\$'000</i>	As % of total revenue %
1	Customer A	A department of the HK Government responsible for food and environmental hygiene	over 18 ^(Note)	Cleaning/pest management/waste management and recycling	294,661	81.1

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Rank	Customer	Principal business activities	Years of business relationship (years)	Major services provided	Revenue HK\$'000	As % of total revenue %
2	Customer B	A department of the HK Government responsible for leisure and cultural services	over 18 ^(Note)	Cleaning/waste management and recycling	44,530	12.3
3	Customer C	Transport operations; property rental and management; property development; advertising; telecommunication services and international consultancy services	over 11	Cleaning	5,807	1.6
4	Customer D	Property and facility management	over 9	Cleaning	2,544	0.7
5	Customer E	A statutory body responsible for Hong Kong's public housing	over 19	Cleaning	2,056	0.5
Total					349,598	96.2

For the year ended 31 December 2016:

Rank	Customer	Principal business activities	Years of business relationship (years)	Major services provided	Revenue HK\$'000	As % of total revenue %
1	Customer A	A department of the HK Government responsible for food and environmental hygiene	over 18 ^(Note)	Cleaning/pest management/waste management and recycling	315,681	78.1

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Rank	Customer	Principal business activities	Years of business relationship (years)	Major services provided	Revenue <i>HK\$'000</i>	As % of total revenue %
2	Customer B	A department of the HK Government responsible for leisure and cultural services	over 18 ^(Note)	Cleaning/waste management and recycling/landscaping	59,400	14.7
3	Customer F	Property management	over 1	Cleaning	4,324	1.1
4	Customer C	Transport operations; property rental and management; property development; advertising; telecommunication services and international consultancy services	over 11	Cleaning	3,692	0.9
5	Customer G	A department of the HK Government responsible for port and waters	over 1	Cleaning	3,685	0.9
Total					386,782	95.7

Note: The calculation on number of years of business relationship includes the services provided to its predecessor HK Government department, which was responsible for municipal services.

To the best knowledge of our Directors, none of our Directors, their associates, or any Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period.

Our Directors confirm that all of our customers during the Track Record Period are Independent Third Parties. To the best knowledge and belief of our Directors, none of our customers during the Track Record Period was also a supplier of our Group.

Customer concentration

For the two years ended 31 December 2015 and 2016, revenue attributable to our largest customer, a department of the HK Government responsible for food and environmental hygiene, amounted to approximately 81.1% and 78.1%, respectively, while revenue attributable to our five largest customers in aggregate amounted to approximately 96.2% and 95.7%, respectively. Further details on the risk of customer concentration are set out in the section headed "Risk factors — Risks relating to our

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business — Our customer concentration is high, a loss of our largest customer may adversely affect our business operations and financial results”. Our Directors are of the view that our reliance on our largest customer is not an extreme case which would impact on our suitability for Listing for the following reasons:

(a) *Business model*

We are an established one-stop environmental hygiene service provider based in Hong Kong. Our Directors believe that a wide range of entities from both the public and private sectors, including but not limited to, various departments of the HK Government, property management companies and other corporations in the private sector, are in need of our environmental hygiene services throughout the year. Taking into account the large pool of potential customers and our well-established position in the environmental hygiene service industry, our Directors are of the view that it would not be difficult for us to find new customers.

(b) *Decreasing level of reliance*

Our reliance on our largest customer decreased from approximately 81.1% for the year ended 31 December 2015 to approximately 78.1% for the year ended 31 December 2016, while our total revenue increased from approximately HK\$363.5 million to HK\$404.1 million during the same period. Our Directors believe that the decreasing percentage of revenue generated from our largest customer during the Track Record Period reflects our effort in diversifying and expanding our customer base.

During the Track Record Period, we demonstrated our ability in establishing new business relationships with other customers. For instance, two of our customers who started business relationships with us in the years ended 31 December 2015 became our third and fifth largest customers for the year ended 31 December 2016. Further details on our top customers are set out in the paragraphs headed “Customers” in this section.

We plan to further develop our customer base by expanding our presence in the private sector. Further details are set forth in the paragraphs headed “Business strategies and future plans” in this section.

(c) *Industry landscape*

Historically, cleaning service has been our largest business segment in terms of revenue among the four types of environmental hygiene services that we provide. For the two years ended 31 December 2015 and 2016, the percentage of revenue derived from cleaning services amounted to approximately 84.0% and 85.1% of our total revenue. Within the cleaning services segment, street cleaning services has been the largest sub-segment in terms of revenue, accounting for approximately 65.8% and 64.3% of our total revenue.

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We are an established one-stop environmental hygiene service provider based in Hong Kong. According to Frost & Sullivan, we ranked the ninth in 2016 among environmental hygiene service providers in Hong Kong and had 3.3% of market share in terms of revenue generated. According to Frost & Sullivan, the total contract sum of street cleaning service contract awarded by our largest customer, being a department of the HK Government responsible for food and environmental hygiene, reached HK\$762.4 million in 2016 and was shared by only five service providers, among which we ranked the third in terms of the contract sum of HK\$132.2 million awarded to us. According to Frost & Sullivan, the highly concentrated market share of street cleaning services among a small number of market players is attributable to the fact that the scale of street cleaning service contracts awarded by our largest customer is larger than that of the contracts awarded by private sector customers, which requires more substantial operational resources and higher financial viability that only relatively sizable market players possess. Given that the market of street cleaning services is dominated by a few players, our Directors are of the view that as far as street cleaning services are concerned, it would be unlikely for us to break off reliance on our largest customer. Nevertheless, our Directors believe that having a larger customer base is crucial to our long-term growth and will continue to expand our customer base through securing more private sector customers as mentioned above.

The environmental hygiene service industry in Hong Kong has strong growth potentials. Driven by the increasing public awareness of environmental hygiene due to outbreaks of past diseases and the rising number of both commercial and residential buildings, the market size is expected to further grow from HK\$13,421.8 million to HK\$17,250.1 million in 2020, representing a CAGR of 6.5% from 2016 to 2020, according to Frost & Sullivan. Further details are set forth in the section headed “Industry overview” in this prospectus.

With our over 26 years of track record in the environmental hygiene service industry, our Directors believe that we have established a market reputation in offering high quality environmental hygiene services and are well-positioned to capture the growing demand for environmental hygiene services. As such, our Directors are of the view that there are plenty of market opportunities available for our Group to further develop our customer base and reduce our reliance on our largest customer.

(d) Complementary business relationships

Our largest customer, being a department of the HK Government responsible for food and environmental hygiene, selects its environmental hygiene service providers through open tendering process. So far as our Directors are aware of, before the selection of any new service provider, it would conduct an evaluation system to ensure that the potential service providers could meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance. Our contracts with our largest customer, which have service periods ranging from two to five years, are mostly awarded through tendering and we have no long-term commitment from our largest customer. Nevertheless, our Directors believe that our over 18 years of business relationship with our largest customer demonstrates our abilities in offering competitive tenders and maintaining satisfactory performance in connection with the service contracts awarded to us and thereby gives us a competitive advantage in securing service contracts

from our largest customer during the competitive tendering process. Over years of cooperation, we are familiar with the quality standard requirements and other administrative procedures of our largest customer, which enables us to perform our services in a more efficient way. In view of the above, our Directors consider that we have maintained complementary business relationships with our largest customer. Despite our intention to reduce reliance on our largest customer going forward, we will strive to maintain our established business relationship with our largest customer.

(e) Ability to maintain our revenue in the future in light of the reliance

We have been providing cleaning services and waste management and recycling services to our largest customer since 1998 and 2001, respectively. One of the major responsibilities of our largest customer is to implement and co-ordinate environmental hygiene services. It provides public cleaning services, including street sweeping, household waste collection and other cleaning work, by both its in-house workforce and cleaning contractors. In order to achieve greater efficiency and cost-effectiveness, it has continued to contract out public cleaning services. As at April 2016, 75% of household waste collection service and 77% of manual street cleaning service of our largest customer were outsourced. According to a recent publication of our largest customer dated 14 November 2016, it is noted that (a) in respect of public cleaning, all streets are manually swept at least once every day and in the main commercial and tourist areas, streets are swept for an average of four times a day, and up to eight times a day in the busiest pedestrian areas; and (b) in respect of waste collection, our largest customer and its contractors operate a total of 247 modern refuse collection vehicles and about 5,540 tonnes of household waste are collected, which are then taken to the refuse transfer stations or landfills managed by another department of the HK Government. This represents a huge demand on cleaning services and waste management and recycling services provided by environmental hygiene service providers like our Group. Unlike customers of the private sector, the demand of environmental hygiene services from our largest customer is less susceptible to changing economic conditions. In addition, the environmental hygiene service industry in Hong Kong is showing a growing trend. Our Directors are of the view that we will be capable of maintaining our revenue in future despite our reliance on our largest customer.

General terms of contracts with our customers

We enter into fixed-term legally binding contracts with our customers. Generally, the material difference between the contracts with the HK Government as compared to private sector customers is that the HK Government may require additional supporting documents and administrative procedures before payment and thus the credit period is not always specified in the tender contracts.

(a) Term and termination

The service period of our contracts ranges from one to five years in general. Our customers are generally granted with a right of renewal or extension subject to our satisfactory performance.

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Notable circumstances under which our public sector customers are entitled to terminate the contract immediately include situations where (i) we go into liquidation or a petition is being filed against us for bankruptcy or winding up of our business; (ii) we assign the tender contract to subcontractors without the prior written consent of our customers; (iii) we fail to perform the services satisfactorily as stipulated in the tender contract; (iv) we fail to secure and maintain all required insurance; (v) we are in material breach of and/or have committed repeatedly breaches of any obligations under the tender contract; (vi) we are convicted under the relevant ordinances stipulated under our tender contracts; and (vii) we have failed to fulfil the criteria as required under the demerit points system. Our private sector customers may terminate our contract by giving one month's notice in writing to us. Our Directors confirm that we had not experienced any material cases where our tender contracts were terminated by our customers during the Track Record Period.

Under the government tenders, the tenderer must not be allowed to participate in tendering due to its having accumulated, over a rolling period of 36 months, an aggregate of three demerit points obtained on or after 1 May 2006 from any of the government bureau and/or department for its non-compliance with the contractual obligations in respect of wages, daily maximum working hours, signing of standard employment contracts with and wage payment by means of autopay to its workers employed under the government contracts.

As at the Latest Practicable Date, there is no accumulated demerit points of our Group.

(b) Service payments

The payments charged by us are generally a fixed contract sum. Once the service fee is agreed with customers, we could only adjust the service fee under limited circumstances such as addition or reduction of service scope. Before our customers settle our invoices, they normally require supporting documents for due payment of all wages such as certifications by certified public accountants and/or the inspecting officer that our services have been performed to their satisfaction. In the event that we fail to comply with service standards required in our contracts (e.g. receipt of a certain number of default notices issued by our customers within a month and absence or lateness of staff), our customers are entitled to deduct our service fees accordingly.

(c) Liability and indemnity

Generally, we are required to indemnify our customers against any claims in respect of (i) any injury to or death of any of our employees save and except where such injury or death is caused by the negligence of our customers or its employees; (ii) any loss or damage sustained by, or any injury to or death of any third party arising out of any act, omission, default or negligence caused by us; (iii) any loss arising out of our negligence, recklessness or wilful misconduct; (iv) breach of the terms and conditions of our contracts; (v) unauthorised act or omission committed by us; and (vi) non-compliance with any applicable laws and regulations by us. Our Directors confirm that we had not experienced any material claims arising from our breach of the tender contracts during the Track Record Period.

We may be liable for or may be required to indemnify our customers for any liability, loss, claim or proceedings in respect of any personal injury or death of any person or damage to any property arising out of the performance of our services. We are required to maintain adequate insurance cover in respect of such risks and any other liability in respect of our staff and other persons who may be employed on the works as well as other third party liabilities.

(d) Compliance with laws and regulations

Our business operation is governed by relevant laws and regulations in Hong Kong. We are required to use vehicles, equipment, materials and tools in the performance of our services as specified under our tender contracts in such manner as to comply with all relevant laws and regulations. Further details on our obligations under relevant laws and regulations are set forth in the section headed “Regulatory overview” in this prospectus.

(e) Performance guarantee

We are responsible for the quality of services provided by our staff. We are generally required to provide performance guarantee at a rate ranging from 2% to 5% of the total contract sum to our public sector customers and at a sum equivalent to one month’s service payment of the relevant contracts to our private sector customers as security for due performance of our contractual obligations.

In order for our banks to issue performance guarantee for our service contracts, we are required to deposit a fixed amount into our account maintained with our banks, which is accounted for as our restricted cash at such banks and such performance guarantee is to be released after the completion of the relevant service contracts. As at 31 December 2015, 31 December 2016 and 30 April 2017, the aggregate amount of performance guarantee maintained in favour of our customers were approximately HK\$49.0 million, HK\$50.7 million and HK\$63.3 million, respectively.

(f) Assignment and sub-contracting

Our tender contracts with our customers generally provide that we shall not, without the prior written consent from them, assign or otherwise dispose of or transfer our tender contract to other parties or enter into any sub-contract with any party for the performance of any part of our tender contracts.

Service contracts

The majority of our service contracts are fixed-term contracts. Upon expiry of our contracts, we have to submit tenders or quotations afresh in order to obtain a new contract. In particular, departments of the HK Government and large corporate customers would normally select their service providers through a tendering process. We may or may not submit a tender or quotation for the same service when our existing contracts expire subject to our assessment of the profitability of such tender or quotation. Further details on the factors we take into account when considering whether to bid for a tender or provide a quotation are set forth in the paragraphs headed “Operations — Tender and

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quotation preparation" in this section. In addition, we may not be successfully awarded the contract depending on a number of factors such as the competitiveness of our offer and the budget of our customers. Accordingly, there were service contracts which were not renewed upon expiry during the Track Record Period. A few of our service contracts with relatively small contract sums, such as provision of waste management and recycling services to restaurants, do not have fixed terms and could be terminated by our customers without notice period. Occasionally, we also provide one-off services upon requests from our customers.

The following table sets forth the breakdown of service contracts by duration for the two years ended 31 December 2015 and 2016:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	<i>Number of contracts performed</i>	<i>HK\$'000</i>	<i>Number of contracts performed</i>
One-off services	233	N/A ^(Note)	187	N/A ^(Note)
Contracts without fixed term and that could be terminated by our customers without notice period	173	7	808	13
Fixed-term contracts	363,061	72	403,129	68
Total	363,467	79	404,124	81

Note: For one-off services, our customers normally place purchase orders with us and would not enter contracts with us.

Our revenue generated from the public sector amounts to 94.0% and 94.6% for the year ended 31 December 2015 and 2016, respectively. The following table sets forth the number of contracts completed and awarded to us and the aggregate contract sum for the public sector during the Track Record Period and as at the Latest Practicable Date:

	Number of contracts ^(Note)	Contract sum ^(Note) <i>HK\$'000</i>
As at 1 January 2015		
Existing contracts	24	783,846
During the year ended 31 December 2015		
Contracts completed	8	138,840
New contracts commenced	7	125,624
As at 1 January 2016		
Existing contracts	23	770,630

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	Number of contracts ^(Note)	Contract sum ^(Note) HK\$'000
<i>During the year ended 31 December 2016</i>		
Contracts completed	15	438,241
New contracts commenced	15	456,492
<i>As at 1 January 2017</i>		
Existing contracts	23	788,881
For the period between 1 January 2017 and up to the Latest Practicable Date		
Contracts completed	2	20,410
New contracts commenced	10	334,718
As at the Latest Practicable Date		
Existing contracts	31	1,103,189
New contracts awarded but not yet commenced	1	53,988

Note: Contracts without fixed contractual terms and that could be terminated by our customers without notice period are excluded from the calculation of contract sum as the contract sum for such contracts cannot be ascertained.

The following tables set forth the breakdown of service contracts by business segments for the two years ended 31 December 2015 and 2016, respectively:

	For the year ended 31 December	
	2015	2016
Number of contracts performed ^(Note 1)		
Cleaning services		
– Street cleaning services	16	18
– Cultural, leisure and recreational premises cleaning services	2	4
– Residential premises cleaning services	8	8
– Other cleaning services	27	26
Subtotal	53	56
Pest management services	6	3
Waste management and recycling services	20	21
Landscaping services	–	1
Total	79	81

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Notes:

1. Contracts which have been renewed during the year would be counted once only.
2. For the purpose of calculating number of contracts performed, the contracts providing one-off services are excluded.

Range of contract period (months)	For the year ended 31 December	
	2015	2016
Cleaning services		
– Street cleaning services	24–60	12–60
– Cultural, leisure and recreational premises cleaning services	12–36	12–36
– Residential premises cleaning services	1–24	12–48
– Other cleaning services	2–29	1–29
Pest management services	24–30	24–30
Waste management and recycling services	12–24	12–60
Landscaping services	N/A	24 ^(Note 1)

Average monthly service fees (HK\$'000)	For the year ended 31 December	
	2015	2016
Cleaning services		
– Street cleaning services	1,245	1,203
– Cultural, leisure and recreational premises cleaning services	1,853	1,234
– Residential premises cleaning services	161	168
– Other cleaning services	20	28
Pest management services	602	876
Waste management and recycling services	61	111
Landscaping services	N/A	60 ^(Note 1)

Note:

1. As at the Latest Practicable Date, we had only entered into one service contract for provision of landscaping services to a department of the HK Government.

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The following table sets forth the breakdown of service contracts awarded to us by business segments to be recognised on or before 31 December 2017, on or before 31 December 2018 and after 1 January 2019, respectively:

	Number of contracts on hand and/ or awarded as at 31 May 2017 <small>(Note 1)</small>	Approximate aggregate contract value to be recognised for the year ending 31 December 2017 <i>HK\$'000</i>	Approximate aggregate contract value to be recognised on or before 31 December 2018 <i>HK\$'000</i>	Approximate aggregate contract value to be recognised after 1 January 2019 <i>HK\$'000</i>	Range of remaining contract period as at 31 May 2017 <i>months</i>
Cleaning services					
– Street cleaning services	8	171,322	17,757	–	4–11
– Cultural, leisure and recreational premises cleaning services	6	61,989	27,619	13,351	4–35
– Residential premises cleaning services	11	29,800	19,496	5,012	5–24
– Other cleaning services	10	9,938	6,158	167	2–22
Subtotal	<u>35</u>	<u>273,049</u>	<u>71,030</u>	<u>18,530</u>	<u>2–35</u>
Pest management services	3	36,878	21,153	4,711	6–22
Waste management and recycling services	10	76,514	88,888	73,999	1–60
Landscaping services	<u>1</u>	<u>852</u>	<u>165</u>	<u>–</u>	<u>9</u>
Total	<u>49</u>	<u>387,293</u>	<u>181,236</u>	<u>97,240</u>	<u>1–60</u>

Note:

- The contracts without fixed contractual terms and that could be terminated by our customers without notice period are excluded as the contract value to be recognised cannot be ascertained.

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Major service contracts during the Track Record Period

The following table summarises our five largest contracts in terms of revenue contribution during the Track Record Period:

Name of area/premises	Revenue contributed (HK\$'000)	Percentage of total revenue (%)	Services Provided
<i>For the year ended 31 December 2015</i>			
Mongkok District	46,858	12.9	Street cleaning
Yau Ma Tei, Tsim Sha Tsui, Mongkok Districts	44,337	12.2	Cultural, leisure and recreational premises cleaning
Portion of Mid-levels and Central Taipo District	42,986	11.8	Street cleaning
Sai Kung District	40,910	11.3	Street cleaning
	29,525	8.1	Street cleaning
<i>For the year ended 31 December 2016</i>			
Yau Ma Tei, Tsim Sha Tsui, Mongkok Districts	44,860	11.1	Cultural, leisure and recreational premises cleaning
Portion of Mid-levels and Central Taipo District	44,261	11.0	Street cleaning
Mongkok District	34,188	8.5	Street cleaning
Southern District	31,328	7.8	Street cleaning
	29,226	7.2	Street cleaning

Basis of determination of our service fees

We take into account various factors when determining our service fees such as (a) our budget prepared based on previous contracts with similar scope of services; (b) our cost analysis taking into account potential increase in wages, scope of services, resources allocated to the contract, the duration of the contract, material costs, locations of projects, size of projects and timetable provided by the customer; (c) the prevailing market rates; and (d) relationship, reputation or background of the customer.

Cost control measures

The service fees charged by us are generally a fixed contract sum. Once agreed with customers, we could only adjust the service fee under limited circumstances such as addition or reduction of service scope. As such, we bear the risk of costs overrun as set forth in the section headed "Risk factors — Risks relating to our business — The payments charged by us are generally a fixed contract sum without any adjustment mechanism. Our profitability may be adversely affected if costs overrun." in this prospectus. As set out above, we take into account our budget and cost analysis when pricing our services, based on which we could have a more accurate assessment of our costs prior to submitting

tenders or quotations to our customers. After the commencement of our contracts, we also rely on the following cost control measures to avoid or minimise costs overrun:

(a) Project monitoring

We formulate our budget on a project basis. All the expenses relating to the performance of contract are recorded in the budget for ongoing cost monitoring. Our management team reviews the budget monthly and if any material costs overrun is identified, our management team will investigate the causes and assess the costs overrun to see if any follow-up actions are required.

(b) Approval procedures for additional resources or expenses

Where additional resources or expenditures for the hiring of additional part-time staff or vehicles and procurement of materials, reports with sufficient justification and supporting documentation such as material requisition form would need to be prepared for management team's approval.

Credit policy

We generally send monthly invoices to our customers and require them to settle our service fee monthly in arrears. Generally, the payment method is by remittance, by cheque or autopay and credit term granted to our customers range from 60 days to 90 days depending on our customers' creditworthiness. In relation to customers from the public sector, they may need additional supporting documents and administrative procedures before settling our invoices. Therefore, credit period is generally not specified in these contracts. During the Track Record Period, we did not experience any material difficulty in collecting payment from our customers. All of the payment are settled in Hong Kong dollars.

The turnover days of our trade receivables were approximately 81.3 days and 71.6 days as at 31 December 2015 and 31 December 2016, respectively. Further details on the analysis of our trade receivables turnovers days are set forth in the paragraphs headed "Financial information — Discussion on major items of the combined statements of financial position — Trade receivables" in this prospectus. We monitor long-overdue payments (i.e. generally trade receivables that remain outstanding for more than 180 days after the date of invoice) continuously and evaluate them on a case-by-case basis with respect to the appropriate follow-up actions to be taken, taking into consideration the trading history, accounts receivables report, reputation and any information relating to credit assessment of the customers. Appropriate provisions for bad and doubtful debts are made at the end of each month or financial year if necessary. During the Track Record Period, we issued payment reminders and communicated with customers actively as follow-up actions for recovering long-overdue payments.

Marketing activities

Throughout the years, we have successfully built up a solid customer base with a key focus on the public sector. With our proven track record of over 26 years and our reputation in the environmental hygiene service industry, we were able to obtain new contracts and renew existing contracts from time to time such that we did not rely heavily on marketing activities during the Track Record Period. Both our marketing and operation departments are responsible for liaising and maintaining relationships with our customers. In addition, we have designated staff to monitor tender notices from websites of the HK Government and our private sector customers. To keep ourselves up to date with the latest environmental, health and safety regulations and practices in the industry, we are a member of Green Cross Group of Occupational Safety and Health Council, the Environmental Contractors Management Association, the Federation of Environmental and Hygiene Services and Pest Control Personnel Association of Hong Kong. Further details are set out in the section headed “Future plans and use of proceeds” in this prospectus. As set forth in the paragraphs headed “Business strategies and future plans” in this section, we intend to utilise part of the net proceeds from the Share Offer to expand our marketing department by hiring an assistant marketing manager who will be responsible for assisting our senior marketing manager in preparing tenders and quotations and soliciting new customers from the private sector through promoting our services to our target customers. Our Directors believe that this would help us secure more business opportunities.

Seasonality

Environmental hygiene services are needed throughout the year. However, the demand is at times affected by seasonal factors. For instance, the demand for waste management and recycling services during Christmas and the Lunar New Year holidays is higher, and the demand for pest management services during summer is higher, respectively. Our Directors confirm that we did not experience any material seasonal fluctuations.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers include:

- (a) vehicles rental service providers;
- (b) material and equipment suppliers supplying materials and equipment such as garbage bags, toilet paper and other cleaning equipment in the provision of cleaning services and pest management services;
- (c) fuel suppliers supplying fuel for our vehicles; and
- (d) subcontractors providing additional equipment or staff.

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The table below sets forth a breakdown of our cost of services for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs ^(Note)	281,945	85.7	309,892	85.2
Vehicle expenses	34,382	10.5	37,665	10.3
Consumables	8,229	2.5	10,230	2.8
Direct overheads	4,338	1.3	6,143	1.7
Total	<u>328,894</u>	<u>100.0</u>	<u>363,930</u>	<u>100.0</u>

Note: Direct labour costs comprise the salaries and welfares of our frontline workers.

Further details on the fluctuation in purchases from suppliers during the Track Record Period as well as relevant sensitivity analysis are set forth in the paragraphs headed “Financial information — Major factors affecting our financial condition and results of operations” in this prospectus.

Top suppliers

For the two years ended 31 December 2015 and 2016, the percentage of total cost of services excluding direct labour costs attributable to our largest supplier amounted to approximately 15.6% and 5.9%, respectively, while the percentage of total cost of services excluding direct labour costs attributable to our five largest suppliers amounted to approximately 31.1% and 20.1%, respectively. Accordingly, our Directors consider that during the Track Record Period, we were not dependent on any single supplier.

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The following tables set forth certain information with respect to our five largest suppliers based on the ranking of their contribution to our total cost of services (excluding direct labour costs) during the Track Record Period and their respective background information:

For the year ended 31 December 2015

Rank	Supplier	Principal business activities	Years of business relationship (years)	Products/services provided	Cost of services HK\$'000	As % of cost of services ^(Note) %
1	Supplier A	Service provider of, inter alia, cleaning service, pest management and vehicle rental	3	Vehicle rental	7,316	15.6
2	Supplier B	Trading of oil and gas	9	Supply of fuel	2,328	5.0
3	Supplier C	Manufacture and trading of toilet paper	7	Supply of toilet paper	1,739	3.7
4	Supplier D	Manufacture and trading of plastic bags and toilet paper	10	Supply of plastic bags and toilet paper	1,709	3.6
5	Supplier E	Trading of cleaning consumables and equipment	25	Supply of cleaning consumables and equipment	1,498	3.2
Total					<u>14,590</u>	<u>31.1</u>

For the year ended 31 December 2016

Rank	Supplier	Principal business activities	Years of business relationship (years)	Products/services provided	Cost of services HK\$'000	As % of cost of services ^(Note) %
1	Supplier B	Trading of oil and gas	9	Supply of fuel	3,166	5.9
2	Supplier D	Manufacture and trading of plastic bags and tissue paper	10	Supply of plastic bags and toilet paper	2,974	5.5

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Rank	Supplier	Principal business activities	Years of business relationship (years)	Products/services provided	Cost of services HK\$'000	As % of cost of services ^(Note) %
3	Supplier E	Trading of cleaning consumables and equipment	25	Supply of cleaning consumables and equipment	1,846	3.4
4	Supplier C	Manufacture and trading of toilet paper	7	Supply of toilet paper	1,741	3.2
5	Supplier F	Trading of chemicals	6	Supply of cleaning chemicals	1,112	2.1
Total					10,839	20.1

Note: The direct labour costs are excluded in the total cost of services.

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

Our Directors confirm that all of our suppliers are Independent Third Parties. To the best knowledge and belief of our Directors, none of our suppliers during the Track Record Period was also a customer of our Group.

As payments charged by us are generally a fixed contract sum without any adjustment mechanism, we would need to take into account the potential increase in the cost of materials when preparing our tender and quotations. We may suffer from cost overrun if we cannot pass on the increase in costs of materials to our customers. However, as we have built up a good relationship and cooperation pattern with our suppliers, we believe the effect of cost of increment is controllable.

We generally maintain one to two suppliers for the same kind of services and/or materials so that any quality or delivery issues with any individual supplier will not cause a significant adverse impact on our business. Apart from the purchase of consumables such as plastic bags, toilet paper and other cleaning equipment, most of our purchases were settled on a monthly basis and in arrears. We are generally granted with credit terms by our suppliers ranging from 30 to 60 days after delivery of goods or performance of services. Generally, the payment method is by cheque. During the Track Record Period, all purchases were settled in Hong Kong dollars.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter significant shortage or delay in the supply of the products and services we needed. Our Directors confirm that during the Track Record Period, no issue regarding the

legality of the source of supply had arisen and we did not experience any material difficulties in sourcing materials nor did we have any significant disputes with our suppliers.

During the Track Record Period, we had not entered into any legally binding long-term agreement with our suppliers and our purchase orders are placed on a case-by-case basis. The type and number of vehicles rented, the quantity of materials purchased and the prices are agreed upon the issuance of each purchase order. As such, there is no minimum purchase commitment imposed on us. Our procurement team is responsible for placing purchase orders with our suppliers and coordinating the delivery of the materials purchases to our work sites.

Subcontractors

We engaged only two subcontractors during the Track Record Period for the provision of cleaning services and waste management and recycling services. Our Directors confirm that we engaged subcontractors during the Track Record Period to optimise our human resources allocation. We had not entered into any legally binding long-term agreement with our subcontractors and our engagement of our subcontractors during the Track Record Period was based on a case-by-case basis. Subsequent to the Track Record Period and as at the Latest Practicable Date, we had not engaged any subcontractor. Our Directors intend not to engage subcontractors going forward as we consider that it would be better off for our Group to employ own manpower rather than relying on subcontractors because (i) recruiting own manpower enables us to have better control on the quality of services provided; and (ii) our own manpower are more familiar with our quality standard requirements and other internal procedures.

For the two years ended 31 December 2015 and 2016, our subcontracting fees amounted to approximately HK\$1.8 million and HK\$0.8 million, representing approximately 0.5% and 0.2% of our total cost of services, respectively. Our Directors confirm that we did not receive any material complaints or claims from our customers in respect of the services performed by our subcontractors during the Track Record Period.

Criteria for selecting suppliers

We maintained an internal list of approved suppliers. We review and update the list of approved suppliers regularly. We perform periodic evaluation on our existing suppliers by assessing the quality of products or services provided, competitiveness of price, timeliness of delivery or completion and credit period granted, based on which we would decide whether to continue our business relationship with our existing suppliers. When purchase from a new supplier is required, the procurement department has to fill in a new supplier selection form to record the checks performed on such supplier for further internal assessment.

Inventory

We place orders to our suppliers on a case-by-case basis depending on requirements of each project and all equipment and materials are delivered directly to the relevant work

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sites. Invoices issued by our suppliers would indicate the different tentative delivery dates that match with the project schedule.

MAJOR ASSETS AND EQUIPMENT

Vehicles

The following table sets forth information of the major types of vehicles we owned and used in the course of our business operation as at 31 December 2016:

Type of vehicle	Function	Quantity <i>(units)</i>	Approximate year(s) of service	Average age <i>(years)</i>	Remaining useful lives <i>(years)</i>	Frequency of usage
Hook-lift trucks	Waste management and recycling services	3	0.4–1.4	0.8	3.6–4.6	Daily



Street washing vehicles	Cleaning services	20	2.1–8.1	4.1	0–2.9	Daily
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Grab lorries	Cleaning services and waste management and recycling services	14	2.1–10.5	5.8	0–2.9	Daily
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Type of vehicle	Function	Quantity (units)	Approximate year(s) of service	Average age (years)	Remaining useful lives (years)	Frequency of usage
Van and private cars	Cleaning services and waste management and recycling services	65	0.4–27.2 ^(Note)	4.1	0–4.6	Daily



Mechanical street sweeping vehicles	Cleaning services	8	2.9–3.6	3.4	1.4–2.1	Daily
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Auxiliary vehicles	Cleaning services	3	3.7	3.7	1.3	Daily
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Type of vehicle	Function	Quantity (units)	Approximate year(s) of service	Average age (years)	Remaining useful lives (years)	Frequency of usage
Tipper lorries	Cleaning services and waste management and recycling services	31	1.2-14.4	5.1	0-3.8	Daily



Waste compaction vehicles	Waste management and recycling services	17	0.2-2.3	0.6	2.7-4.8	Daily
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Note: Among 65 vehicles, two vans had been used for 21.9 years and 27.2 years, respectively. The average years of service for the remaining vehicles was approximately 3.5 years.

As at 31 December 2015 and 31 December 2016, the carrying amount of our vehicles amounted to approximately HK\$30.0 million and HK\$42.0 million, respectively.

During the Track Record Period, we maintained commercial vehicle insurance policy for our vehicles covering third party legal liabilities. For the two years ended 31 December 2015 and 2016, our vehicle insurance costs amounted to approximately HK\$1.0 million and HK\$1.1 million, respectively.

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Site equipment

The following table sets forth information of the major types of site equipment we owned and used in the course of our business operation as at 31 December 2016:

Type of equipment	Function	Quantity <i>(units)</i>	Approximate year(s) of service	Average age <i>(years)</i>	Remaining useful lives <i>(years)</i>	Frequency of usage
Hot water high pressure cleaners	Cleaning services	62	1.0-6.8	2.9	0-4.0	Daily
Cold water high pressure cleaners	Cleaning services	9	1.0-6.0	2.7	0-4.0	Daily



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Type of equipment	Function	Quantity <i>(units)</i>	Approximate year(s) of service	Average age <i>(years)</i>	Remaining useful lives <i>(years)</i>	Frequency of usage
Wet and dry vacuum cleaners	Cleaning services	29	2.3-6.6	4.7	0-2.7	Daily



Grass trimmers	Landscaping services	4	1.1-2.3	1.7	2.7-3.9	As and when required
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BUSINESS

Type of equipment	Function	Quantity (units)	Approximate year(s) of service	Average age (years)	Remaining useful lives (years)	Frequency of usage
Working platforms	Cleaning services	1	7.9	7.9	0	Weekly






Walk behind scrubbers	Cleaning services	23	0.7-6.6	3.4	0-4.3	Daily
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Marble cleaning machines	Cleaning services	10	6.0-6.3	6.1	0	Daily
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BUSINESS

Type of equipment	Function	Quantity (units)	Approximate year(s) of service	Average age (years)	Remaining useful lives (years)	Frequency of usage
Vacuum cleaners	Cleaning services	32	6.0-6.9	6.3	0	Daily
						
Knapsack power sprayers	Pest management services	9	1.1-1.6	1.4	3.4-3.9	Daily
						
Stair and escalator cleaners	Cleaning services	2	2.1	2.1	2.9	As and when required
						

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Type of equipment	Function	Quantity (units)	Approximate year(s) of service	Average age (years)	Remaining useful lives (years)	Frequency of usage
Blowers	Cleaning services	60	1.8-6.3	2.4	0-3.2	Daily



Water pumps	Cleaning services	6	5.6	5.6	0	Daily
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Electricity generators	Cleaning services	44	0.9-6.8	4.1	0-4.1	Daily
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BUSINESS

Type of equipment	Function	Quantity (units)	Approximate year(s) of service	Average age (years)	Remaining useful lives (years)	Frequency of usage
Mobile refuse compactors	Waste management and recycling services	2	0.5	0.5	4.5	Daily



As at 31 December 2015 and 31 December 2016, the carrying amount of our site equipment amounted to approximately HK\$2.2 million and HK\$2.2 million, respectively.

Maintenance of vehicles and equipment

The performance of our vehicle fleet and equipment is crucial to the quality of our services. Repair of equipment is performed by our suppliers or distributors in accordance with product warranty policy. Repair of vehicles is performed by motor vehicle service centres. Quotations on repair services would need to be approved by our management. For the two years ended 31 December 2015 and 2016, our repairs and maintenance costs amounted to approximately HK\$4.6 million and HK\$7.2 million, respectively.

Further details on depreciation method of major assets and equipment are set forth in the paragraphs headed “Financial information — Significant accounting policies” in this prospectus.

QUALITY CONTROL

To provide consistent quality services to our customers, we have since 1999 established our quality assurance system. The following table sets forth the current certification we hold in respect of our quality assurance system.

Type of certification	Certified entity	Original certification date	Expiry date
ISO 9001: 2008 quality management system applicable to cleaning, pest control and waste collection	Lapco Service	29 August 2000	4 July 2018
	Shiny Glory	23 November 1999	4 July 2018

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Type of certification	Certified entity	Original certification date	Expiry date
ISO 14001:2004 environmental management system standard applicable to cleaning, pest control and waste collection	Lapco Service	28 June 2005	4 July 2018
	Shiny Glory	28 June 2005	4 July 2018
OHSAS 18001:2007 occupational health and safety management system standard applicable to cleaning, pest control and waste collection	Lapco Service	16 May 2007	4 July 2018
	Shiny Glory	16 May 2007	4 July 2018

The implementation of these systems is currently overseen by Mr. Lam, our chairman, executive Director and chief executive officer, who has over 11 years of experience in the implementation of ISO 9001, ISO 14001 and OHSAS 18001 and Ms. Wong, a member of our senior management, who has over 14 years of experience in the implementation of ISO 9000 and approximately 11 years of experience in the implementation of ISO 9001, ISO 14001 and OHSAS 18001. Further details on the experience and qualifications of Mr. Lam and Ms. Wong, respectively, are set forth in the section headed "Directors and senior management" in this prospectus.

Regular surveillance audits by ACI

Our Group is certified to be in compliance with the standards of ISO 9001:2008 (quality management system), ISO 14001:2004 (environmental management system) and OHSAS 18001:2007 (occupational health and safety management systems) by ACI. In its most recent audit in August 2016, ACI concluded that the assessment result of the visits were positive and the management systems were believed to be capable of meeting the applicable requirements and expected outcomes.

INSURANCE

During the Track Record Period, we had taken out insurance policies covering employees' compensation and public liability for our Group. Our Directors consider that the existing insurance coverage is adequate and consistent with industry norm having regard to our Group's operations and the current industry practice.

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Employees' compensation insurance

During the Track Record Period, we took out employees' compensation insurance in accordance with the Employees' Compensation Ordinance which covers compensation and damage to employees in respect of bodily injury, death or disease contracted arising out of and in the course of their employment. The term of the insurance policy for employees' compensation is one year. The limit of the indemnity covered by our employees' compensation insurance was HK\$200.0 million per event during the Track Record Period and up to the Latest Practicable Date. The insurance policy currently effective generally covers the full amount of valid employees' compensation claims, provided that the amount of emergency transportation cost does not exceed HK\$50,000 per event and in aggregate during the period of insurance.

The policy excess under the insurance policies effected by our Group for the relevant periods are shown as follows:

Period covered by the relevant insurance policy in effect	Policy excess for employees' compensation insurance	Policy excess for public liability insurance
5/2/2013-30/6/2014	Lapco Service – HK\$2,800,000 Shiny Glory – HK\$196,000 (Inclusive of all compensation, costs and expenses)	HK\$80,000 per case in respect of Lapco Service and Shiny Glory ⁽¹⁾
1/7/2014-30/6/2015	Lapco Service – HK\$700,000 Shiny Glory – HK\$300,000 (Inclusive of all compensation, costs and expenses)	HK\$50,000 per case in respect of Lapco Service and Shiny Glory ⁽²⁾
1/7/2015-30/6/2016	There is no policy excess under the relevant insurance policy. All compensation, costs and expenses will be fully covered by the relevant insurance policy.	HK\$50,000 per case in respect of Lapco Service and Shiny Glory ⁽³⁾
1/7/2016-30/6/2017	There is no policy excess under the relevant insurance policy. All compensation, costs and expenses will be fully covered by the relevant insurance policy.	HK\$50,000 per case in respect of Lapco Service and Shiny Glory ⁽³⁾

Under all the above insurance policies, all professional fees for the litigations and claims are covered by the insurer. It is the policies of all the insurers that they would take up the legal representation of the litigations and claims on our behalf. Accordingly, we do not regularly estimate the professional fee involved.

Public liability insurance

We are required to take out public liability insurance with indemnity of a stipulated amount under some of our contracts. Such public liability insurance covers compensation and cost to any member of the public in respect of bodily injury, death, or damage to their properties. The term of the insurance policy for public liability insurance is one year. The limit of the indemnity covered by our public liability insurance ranged from HK\$10.0 million to HK\$20.0 million per incident during the Track Record Period while the limit as at the Latest Practicable Date ranged from HK\$20.0 million to HK\$30.0 million per incident. Pursuant to the insurance policies currently effective, our Group is generally responsible for the first HK\$50,000 (or 10% of such loss, whichever is greater in case of water damage to properties) for each claim while the insurer shall be liable to pay the excess amount after deduction of the said HK\$50,000 (or 10% of such loss, whichever is greater in case of water damage to properties) in respect of the compensations indemnifiable under the policy.

For the two years ended 31 December 2015 and 2016, we incurred approximately HK\$2.4 million and HK\$3.3 million, respectively in relation to the insurance costs on employees' compensation insurance and public liability insurance. During the Track Record Period and up to the Latest Practicable Date, our Group had settled 15 litigation claims (including five employees' compensation cases and 10 personal injuries actions) with an aggregate settlement amount of approximately HK\$3.0 million, out of which approximately HK\$0.4 million was borne by our Group pursuant to the policy excess under the relevant insurance policies in effect. Further details in relation to uninsured claims, high insurance costs and insufficient insurance coverage are set forth in the section headed "Risk Factors" in this prospectus. Our Directors consider that the existing insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice.

EMPLOYEES, STAFF TRAINING AND DEVELOPMENT

Number of employees by function

As at 31 December 2015, 31 December 2016 and 31 May 2017, we had a total of 2,631, 2,263 and 2,558 employees, respectively (including both full time and part time employees).

Note: Full time employees refer to employees whose remuneration are based on basic monthly salaries subject to adjustment in relation to overtime pay and no pay leave. Part time employees refer to employees whose remuneration are calculated on an hourly basis.

Our number of employees as at 31 December 2016 drops by 368 or approximately 14.0% when compared with that as at 31 December 2015. Such decrease is attributable to the expiry of our four large street cleaning service contracts in Sai Kung, Mongkok, Taipo Districts and Wong Tai Sin market during the year ended 31 December 2016. As at 31 December 2015, the total number of employees responsible for the aforesaid projects amounted to 844, whilst as at 31 December 2016, the total number of employees required for the new street cleaning service contracts in Wanchai East, Wanchai West and Wong Tai Sin Districts, which commenced during the year ended 31 December 2016, amounted to 520.

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The following table sets forth a breakdown of the number of employees by department as at 31 December 2015 and 31 December 2016 and 31 May 2017:

	As at 31 December 2015	As at 31 December 2016	As at 31 May 2017
Office-based employees:			
Directors	2	2	2
Accounting	6	8	10
Human resources and administration	13	17	14
Marketing	4	5	6
Procurement	1	1	1
Operation	1	6	6
	27	39	39
Subtotal			
Frontline workers: <i>(Note)</i>			
– Cleaning services	2,309	1,916	2,088
– Pest management services	246	189	293
– Waste management and recycling services	49	116	135
– Landscaping services	0	3	3
	2,604	2,224	2,519
Subtotal	2,604	2,224	2,519
Total	2,631	2,263	2,558
Full time	2,402	2,135	2,375
Part time	229	128	183
	2,631	2,263	2,558
Total	2,631	2,263	2,558

Note: Frontline workers include supervisors, foremen, workers and drivers.

Labour strike

Since our Group is engaged in a labour intensive industry, we may occasionally encounter labour disputes, including an incident on 9 November 2016, which resulted in a suspension of cleaning service in the Southern District from 7:00 am to 12:00 noon. Our Directors are of the view that the strike was caused by the resentment from an ex-employee, who was injured during her service on 20 June 2016 and received a payment of injury compensation of approximately HK\$3,088 in July 2016, pursuant to the assessment of the Employees' Compensation (Ordinary Assessment) Board of the Labour Department. The judgement from the Employees' Compensation (Ordinary Assessment) Board of the Labour Department stated that the ex-employee did not lose her earning capacity caused by the injury. Our Directors understand that the ex-employee disagreed

with the judgement and indirectly incited some frontline workers to provoke the strike. In the morning on 9 November 2016, the responsible site manager became aware of the strike. The site manager met the frontline workers in person and explained the cause and judgement from the Labour Department in relation to the ex-employee's injury compensation to the frontline workers. The strike was subsequently resolved and the workers resumed their duties around noontime on the same day.

Five notices were subsequently issued by the department of HK Government responsible for food and environmental hygiene against us in February 2017 respectively, with a total of fine of HK\$11,250. Moreover, a service fee of HK\$21,971 was deducted due to the aforesaid failure to provide street washing and related services between 7:00 a.m. and 12:00 noon on 9 November 2016. The amount of performance guarantee of the cleaning service contract for the Southern District is HK\$2.9 million. Taking into account our financial position as at 30 April 2017, our Directors are of the view that there will be no material impact to the financial performance and operation of our Group in the event that the performance guarantee is enforced. As at the Latest Practicable Date, our Group has not been notified of any intention to forfeit the performance guarantee and/or increase demerit points in relation to the incident. Further, subsequent to November 2016 and up to 31 May 2017, we were awarded six new government contracts from the department of HK Government responsible for food and environmental hygiene in relation to waste management and recycling and pest control services with a total contract sum of HK\$341 million.

Having considered that (i) the incident was a single event; (ii) insignificant amounts in fine and deduction of service fee were involved; and (iii) as at the Latest Practicable Date, no further notice in relation to this incident has been issued to us, and (iv) six service contracts were awarded by the department of the HK Government responsible for food and environmental hygiene to the Group subsequently, our Directors are of the view that the incident will not have a material adverse impact on the Company.

With a view to prevent labour strike, after the incident on 9 November 2016, our Group has (i) enhanced the communication mechanism within our Group by encouraging the responsible site manager to report the abnormal behavior of individual employee in order for our management to address the relevant issues; and (ii) increased the transparency in handling work injury-related compensation by dedicating more manpower to explain and follow up with the relevant injured employees.

Save for the aforesaid incident, our Directors consider that we had maintained good relationship with our employees during the Track Record Period. Our Directors confirm that, to the best of their knowledge, save as the aforesaid incident and disclosed under the paragraphs headed "Litigations and claims" in this section, we did not have any major dispute with our employees during the Track Record Period nor had we experienced any significant difficulties in the recruitment and/or retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

Recruitment and training policies

For the two years ended 31 December 2015 and 2016, our direct labour costs amounted to approximately HK\$281.9 million and HK\$309.9 million, representing

approximately 85.7% and 85.2% of our total cost of services, respectively. We have considered any potential increase in the labour costs before submitting tenders or quotations to our customers. Further details on the impact of potential increase in the labour costs on our operations are set forth in the paragraphs headed “Risk factors — Risks relating to our business — Increase in labour costs may adversely affect our profitability” in this prospectus.

We intend to use our best efforts to attract and retain appropriate and suitable personnel to serve our Group. We assess our available human resources on a continuous basis to determine whether additional personnel are required to cope with our business development. We generally recruit our employees through channels such as internet, newspaper, job fair, recruitment agency or employee referral, in the open market with reference to factors such as their education and professional qualification, job knowledge and work experiences, skills and competency required for our business operations. Our office-based employees are normally subject to three months probation period.

We also arrange our employees to attend training courses on workplace safety and job specific skills. Further details on the training courses attended by our employees and the certificates awarded are set forth in the paragraphs headed “Employees with relevant certificates” in this sub-section.

Remuneration Policy

Our remuneration package for our office-based employees includes basic salary and bonus. Our frontline workers are employed on a contractual basis and are remunerated by wages generally in accordance with tender requirements. We review the salary and promotion of our employees on a yearly basis based on the work performance, position and seniority of the employees. In view of the labour intensive nature of our business and the significant fluctuation of the human resources needed from time to time as projects commence and expire, we employ our frontline workers on a project basis in order to have appropriate human resources on a continuous basis to cope with the workload in different projects. As such, we dismiss the respective frontline workers when the term of a project expires. Under the Employment Ordinance, any employee under a continuous contract for not less than two years is eligible for severance payment if he is dismissed by reason of redundancy or is laid-off. Further information is set forth in the section headed “Financial information — Discussion on major items of the combined statements of financial position — Provisions” in this prospectus. As such, all frontline workers of a project with contractual terms of two years or more are entitled to such severance payment when they are dismissed when the term of the respective project expires.

Our Group have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). During the two years ended 31 December 2016, the retirement benefits scheme contributions amounted to approximately HK\$8.6 million and HK\$8.1 million, respectively and the contributions are payable at the rate specified in the rules of the Mandatory Provident Fund Schemes Ordinance.

The HK Government has revised the guidelines for outsourcing services to improve the wage of low-skilled workers by requiring government departments to take into

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account the wages companies offered to their workers before awarding them tenders. According to Frost & Sullivan, it is expected that there is no material impact on the competitive landscape and/or the financial performance of the industry participants save for the higher tendering price resulting from the higher labour costs attributable to the increase of minimum wages. As such, our Directors are of the view that the new guidelines shall not have any material impact on our business. Moreover, as we adopt a cost-plus pricing policy and take into account factors such as our budget prepared based on previous contracts with similar scope of services and our cost analysis considering potential increase in wages when determining our service fees. Our Directors are of the view that the new guidelines shall not have any material impact on our gross profit and gross profit margin. For further details of the impact of the revised guidelines issued by the HK Government in relation to the outsourcing services, please refer to the paragraph headed “Industry Overview — Competitive Landscape — Future Outlook of the Environment Hygiene Service Industry in Hong Kong”.

Employees with relevant certificates

Under current applicable laws, rules and regulations, we are required, among others, to (a) provide and maintain a safe and healthy working environment; and (b) ensure that only persons with appropriate certifications perform those works or use such equipment as specified under such laws, rules or regulations. Further details on applicable laws, rules and regulations are set forth in the paragraphs headed “Regulatory overview — Labour, health and safety” in this prospectus. In order to comply with the laws and regulations, we would arrange our employees with appropriate certifications to handle the job (such as use of certain equipment and chemicals) as specified.

The following table sets forth certain material certifications held by our employees as at 31 December 2016:

Certifications	Issuing Authority	Number of employees holding such certifications as at 31 December 2016 ^(Note 1)
Training certificate of safety for cleansing work (managers and supervisors)	Occupational Safety and Health Council	1
Training certificate of safety in environmental hygiene	Occupational Safety and Health Council	1
Construction Industry Safety Training Certificate	Hong Kong Human Resources Limited	3 ^(Note 2)
Construction Workers Registration Card	Construction Industry Council	3 ^(Note 3)
Certificate of Attainment for Pest Control and Pesticide Safety Core Course	The Hong Kong Polytechnic University	11

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Certifications	Issuing Authority	Number of employees holding such certifications as at 31 December 2016 ^(Note 1)
Statement of Achievement for Pest Control and Pesticide Safety Core Course	The University of Hong Kong	2
Certificate for completion of Safety Supervisory (Environmental Hygiene)	Star Education Institution Limited and Environmental Services Contractors Alliance	8
Certificate for completion of Safety Supervisor (Environmental Hygiene) Certificate Course	Lion Training Centre	3
Certificate for completion of Occupational Safety and Health for Environmental Hygiene Industry (Management) Certificate Course	Lion Training Centre	1
Certificate of Award for completion of Safety in Occupational Safety and Health and First Aid	Hong Kong Confederation of Trade Unions Training Centre	3
Certificate in Supervisory Management	The Hong Kong Management Association	9
Certificate of Integrated Management System Implementation Training Course	BIM Consultants Company	10

Notes:

1. The number of employees may overlap where he/she possesses more than one certificate.
2. The Construction Industry Safety Training Certificates will expire in February 2018, August 2018 and November 2018, respectively.
3. The Construction Workers Registration Cards will expire in August 2018, November 2020 and November 2020, respectively.

Our Directors are of the view that there is no material difficulty in obtaining the aforesaid certifications or engaging services provided with the relevant certificate. Furthermore, our Directors confirm that, to the best of their knowledge, no employee had encountered any material difficulties with the renewal of the relevant certificates during the Track Record Period and up to the Latest Practicable Date.

As our Directors have not encountered and do not expect to encounter any material difficulty in identifying replacement workers with the requisite certifications in this industry, thus in the event that any employee has been rejected or denied renewal of the relevant certificate, we do not expect any material operational or financial impact to our Group.

WORKPLACE SAFETY

We have established a safety committee to promote workplace safety to our employees in order to minimise workplace injuries. Our safety committee comprises our operation manager, who is the chairman of the committee, a representative from our human resources department and a safety officer.

Meetings are held every three months and the main responsibilities of the safety committee include the following:

- (a) carry out periodic review on work sites to ensure the proper implementation of safety measures at work;
- (b) carry out post-accident investigation based on the incident report form filed by our injured employee and provide training to the injured employee;
- (c) provide training courses and organise activities to promote workplace safety and occupational health to our employees;
- (d) review safety review reports of our external consultant on safety management systems and recommend improvement measures to the management;
- (e) edit internal workplace safety guidelines with reference to the guidelines issued by the Occupational Safety and Health Council and the advice from our external consultant on safety management systems; and
- (f) communicate with occupational safety officer of the Labour Department and representatives of relevant occupational health and workplace safety organisations.

We have also engaged the external consultant on safety management systems to review our safety measures in our work sites since December 2013. Under the current contract with the external consultant, he shall conduct site inspection three to six times per month. The scope of service of such external consultant mainly covers (i) recommendation of corrective actions and areas for continuous improvement; (ii) provision of safety training courses to our employees; and (iii) investigation of accidents occurred. Such external consultant is a local consultancy firm engaged in the provision of safety consultancy services with consultants possessing the relevant qualifications, such as registration as a safety officer under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Chapter 59Z of the laws of Hong Kong) and more than 16 years of the relevant experience.

We have established internal guidelines on workplace safety, which are documented in our employee manual and all our employees are required to follow. In order to ensure that such internal guidelines are followed by our employees, our external consultant provides regular training courses to our employees and regular meetings with the safety

committee to review the compliance periodically. Set out below are the major areas of workplace safety covered by our internal guidelines:

Work safety at height

It covers safety guidelines for the use of ladders, elevated working platforms and mobile scaffold, where relevant, when carrying out services at height.

Examples of work safety at heights include but not limited to:

- the ladder must be rested on an even and solid ground and not on any unstable surface; the ladder must be checked before use to ensure it is structurally sound; fasten the ladder properly with ropes whenever necessary or have a fellow worker to stabilise the ladder with hands; and the top of the ladder should be at least one metre above the resting place to provide for the handrail; and
- the installation of the elevated working platforms must be performed or under the supervision of a qualified person; proper training and adequate instruction must be given to workers before assigning them to use the elevated working platform; workers must wear safety helmet and safety belt; ensure the load to be carried does not exceed the maximum safe working load; and the use of elevated working platforms should be suspended in case of bad weather; and
- mobile scaffold must be installed by qualified workers; such qualified worker must check and certify the safety of the mobile scaffold before use; and mobile scaffold must be installed on a flat surface and should not be moved while there are workers remaining on it.

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Work safety of use of chemicals

It covers guidelines for usage and storage of chemicals used during cleaning such as detergent and disinfectant, as well as wearing protective equipment.

Examples of work safety of use of chemicals include but not limited to:

- before using the detergent or pesticides, workers must be aware of the nature of the such detergent or pesticides and applicable safety measures;
- workers must put on personal protective equipment such as masks and goggles; adhere to the instructions of detergent or pesticides provided by manufacturers; and extensive cleaning must be performed after use;
- ensure good ventilation and avoid smoking and eating in areas where detergent or pesticides are applied and that they are properly stored after use.

Work safety in outdoor area

It covers guidelines to workers that need to stay outdoor for a long time, such as prevention of heat stroke and cautiousness about personal safety.

Examples of work safety in outdoor area include but not limited to:

- measures to be taken to prevent heat stroke such as taking rest in cool place as necessary and drinking enough water; and
- avoid working alone and if applicable, notify co-worker for his/her routes and estimated time of completion; and always take a mobile phone.

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Biological hazards prevention

It covers guidelines on mosquito and rat prevention to minimise possibility of disease spreading.

Examples for biological hazards prevention include but not limited to:

- measures to be taken to maintain environmental hygiene such as removing stagnant water and disposing of waste and to avoid rat or mosquito bites.

Handling of waste and lifting of heavy items during waste disposal

It covers guidelines on prevention of injuries during handling of waste and heavy items during waste disposal.

Examples for injuries prevention include but not limited to:

- use lifts and trolleys whenever possible; ensure proper posture in moving heavy items; wear gloves to avoid cuts by glassware; and waste should be properly tied and sealed in a manner that can prevent spillage of the contents during transportation.

Procedures for handling employee accidents and injuries at work

Given the labour intensive nature of our business operations, our employees are vulnerable to work-related accidents and injuries. We have established procedures in place for handling employee accidents and injuries at work, which are summarised as follows:

1. the injured employee should report the accident and injury to the responsible supervisor or foreman, who should then report the same to our safety committee without undue delay;
2. the injured employee should fill in an incident report form and leave application, and file the same together with the medical certificate to our human resources department;
3. the responsible foreman should conduct on-site investigation on the accident and injury, and complete a case analysis report;
4. our human resources department should report to the Labour Department within 14 days after the accident comes to our knowledge, and file the medical certificate, leave application and the relevant documents to the insurer;

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5. our human resources department should keep record of the incident report form, leave application and medical certificate received from the injured employee and computerise a case analysis report and case claim progress report;
6. our safety committee will provide training to the injured employee to prevent the recurrence of the accident;
7. our Group will pay the agreed compensation to the injured employee directly and the related cost and expenses in relation to work injury, which will be reimbursed by the insurer; and
8. in the event that a settlement could not be reached between our Group and the injured employee with the assistance of the Labour Department, the case shall be determined by the court.

During the Track Record Period, we had taken out insurance policies covering employees' compensation and public liability for our Group. Further details on coverage of our insurance policies are set forth in the paragraphs headed "Insurance" in this section.

In an effort to provide a safe working environment to our employees, we require our relevant employees to have the appropriate certifications to perform the works assigned to them. We also arrange our employees to attend training course on work safety and job specific skills from time to time. Further details are set forth in the paragraphs headed "Employees, staff training and development" in this section.

Analysis of accident rates and lost time injury frequency rates

The table below sets out a comparison of the accident rates per 1,000 employees between our Group and the general cleaning service industry during the Track Record Period:

	For the years ended	
	31 December	
	2015	2016
Accident rate of our Group ^(Note 1)	21.1	26.2
Accident rate in the general cleaning service industry ^(Note 2)	26.6	Not available

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Notes:

1. The accident rates of our Group are calculated as to the number of accidents reported by our Group under the Employees' Compensation Ordinance during the year divided by the average number of our Group's employees calculated on a quarterly basis, and then multiplied by 1,000.
2. Accident rates in the general cleaning service industry for the relevant year are provided by Frost & Sullivan and presented for the purpose of comparison.

The increase in the accident rates of our Group was primarily attributable to the increase of number of accidents reported from 58 to 74 whilst the average number of employees, calculated on a quarterly basis, remained relatively constant at 2,747 and 2,821 respectively. Despite the increase of the accident rate during the Track Record Period, the accident rates of our Group are below the accident rates in the general cleaning service industry in Hong Kong. The Directors consider the increase of the accident rate is consistent with the revenue growth for the year ended 31 December 2016. Further information on the accident rates in the general cleaning service industry in Hong Kong is set forth in the section headed "Industry overview — Overview of the environmental hygiene service industry in Hong Kong — Casualties in environmental hygiene service industry". The average industry accident rates during the period from 2011 to 2015 is 28.6.

The lost time injury frequency rates is calculated by the number of days during which the relevant employees are absent from work after their injuries divided by the total number of work days of all the employees during the respective year. During the two years ended 31 December 2015 and 2016, the lost time injury frequency rates are 0.48% and 0.69% respectively.

We have established work safety procedures in carrying out our environmental hygiene services. Further details are set forth in the paragraphs headed "Workplace safety" in this section. In the most recent audit of ACI in August 2016, ACI concluded that the assessment result of the visits were positive and had not identified any material deficiencies in relation to workplace safety. We also thereafter renewed our certificates of compliance with the standards of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, which will expire in 2018 and subject to further renewal.

CERTIFICATES AND RECOGNITIONS

The following table sets forth a summary of certificates and recognitions we received during the Track Record Period:

Certificates/ Accreditations	Issuing Organisation	Date of issue/ years of awarded	Expiry Date
ISO 9001: 2008 quality management system applicable to cleaning, pest control and waste collection	ACI	Shiny Glory: 23 November 1999 Lapco Service: 29 August 2000	4 July 2018

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Certificates/ Accreditations	Issuing Organisation	Date of issue/ years of awarded	Expiry Date
ISO 14001:2004 environmental management system standard applicable to cleaning, pest control and waste collection	ACI	28 June 2005	4 July 2018
OHSAS 18001:2007 occupational health safety management system standard applicable to cleaning, pest control and waste collection	ACI	16 May 2007	4 July 2018
Caring Company	The Hong Kong Council of Social Service	2007–2017	28 February 2018
Contractor Safety Performance Award	Health, Safety and Environmental Office of The Hong Kong University of Science and Technology	June 2011– May 2016	Not applicable

COMPETITION

According to Frost & Sullivan, the environmental hygiene service industry is highly competitive with a large number of service providers. Our Directors believe that we have our own competitive strengths over our competitors. These strengths enable us to become one of the top 10 environmental hygiene service providers in Hong Kong in 2015 in terms of revenue. Further information on the competitive landscape of the environmental hygiene service industry in Hong Kong is set forth in section headed “Industry Overview — Competitive landscape” in this prospectus.

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PROPERTIES

Leased premises

As at the Latest Practicable Date, we leased certain premises as set out below:

Premises	Usage	Term	Approximate gross floor area (sq.ft.)
1. Unit 17, 6/F, Block A, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong (“Premises 1”, together with Premises 2 and 3, collectively known as the “Existing Premises”) <i>(Note 1)</i>	Warehouse	1 May 2015– 30 April 2018	1,368
2. Unit 18, 6/F, Block A, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong (“Premises 2”, together with Premises 1 and 3, collectively known as the “Existing Premises”) <i>(Note 1)</i>	Warehouse	1 May 2015– 30 April 2018	1,664
3. Unit 19, 6/F, Block A, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong (“Premises 3”, together with Premises 1 and 2, collectively known as the “Existing Premises”) <i>(Note 1)</i>	Warehouse	1 November 2015– 31 October 2018	1,396
4. Unit 301A, 3/F, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong (the “New Premises”) <i>(Note 2)</i>	Head office	17 June 2016– 16 June 2018	1,110
5. Flat 13, 7/F, Block A, Proficient Industrial Centre, 6, Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong	Warehouse	1 April 2016– 31 March 2018	492

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Notes:

1. The Existing Premises had been used by us as head office during the Track Record Period whereas the permitted use under the relevant tenancy agreements is for industrial purposes, the permitted usage under the relevant deed of mutual covenant is for industrial or godown purpose and the permitted usage under the relevant occupation permit is for workshops and ancillary accommodation for non-domestic use. Further details are set forth in the paragraphs headed “Regulatory non-compliance” in this section. Our Directors confirm that the Existing Premises is currently used solely as a warehouse after the relocation of our head office to the New Premises as described in note 2 below. The lease of the Existing Premises will continue after the Listing and will constitute continuing connected transactions of our Group. Further details are set forth in the section headed “Continuing connected transactions” in this prospectus.
2. On 23 June 2016, Lapco Service entered into a tenancy agreement with an Independent Third Party to lease the New Premises for office use. As at the Latest Practicable Date, our head office was relocated to the New Premises. Our Directors confirm that the cost of relocation has no material impact and the relocation has no material disruption to our business operations.

During the Track Record Period, we occupied approximately 1,368 sq. ft. of the Existing Premises as our head office and the remaining portion (i.e. approximately 3,060 sq. ft.) to store certain site equipment and sundries such as cleaners, electricity generators and blowers in the Existing Premises. Our site equipment can be uplifted readily to the Existing Premises by way of cargo lifts installed in the building of the Existing Premises. Periodically, our site equipment is stored in the Existing Premises from the completion of a project until the next project commences or pending regular maintenance or repair. Moreover, our Directors confirm that the storage of certain types of equipment require a lot of physical space. Most of our equipment is electrically propelled and thus proper and systematic storage is important to maintain the normal service life and functionality of the equipment. Therefore, the extra warehouse space of approximately 1,100 sq. ft. as vacated due to our relocation of head office to the New Premises is necessary.

The size of the floor area of the New Premises (approximately 1,100 sq. ft.) occupied for office purpose remains similar to that of the Existing Premises in the past.

Our Company intends to renew the lease agreements for the Existing Premises upon their expiry.

Owned premises

As at the Latest Practicable Date, our Group did not own any premises.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, we had registered three trademarks in Hong Kong. Further details on such trademarks are set forth in the paragraphs headed “Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus. During the Track Record Period, we were not involved in any dispute or infringement of trademarks.

Domain names

As at the Latest Practicable Date, we had registered two domain names, namely www.lapco.com.hk and www.shinyglory.com.hk in Hong Kong. Further details on our domain names are set forth in the paragraphs headed “Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

LICENCES AND PERMITS

Our Directors confirm that we had obtained all necessary licences, permits and certificates required during the Track Record Period for carrying on our business activities and up to the Latest Practicable Date. Further details of the certifications held by our employees and our compliance with the relevant licence requirement of our operations are set forth in the paragraphs headed “Employees, staff training and development — Employees with relevant certificates” in this section and details of the certifications held by the Group’s employees are set forth in the paragraphs headed “Environmental compliance” in this section.

Our operations are governed by various internal control policies and an integrated management system following international standards. Further details are set forth in the paragraphs headed “Certificates and Recognitions” in this section.

LITIGATIONS AND CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or was involved in a number of claims. Our Directors confirm that none of the claims (whether settled or ongoing) were results of the non-compliance of any regulations or laws during the Track Record Period.

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Set out below are the details of:

- (i) the ongoing litigations against our Group as at the Latest Practicable Date;
- (ii) potential litigations in relation to employees’ compensation claims and common law personal injury claims against our Group arising from work-related incidents and injuries; and
- (iii) the litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date.

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1. Ongoing litigations against our Group as at the Latest Practicable Date

Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Date of Incident	Total amount claimed (approximately)	Status
<i>Employees' compensation claims</i>				
1. DCEC267/2017 Lapco Service	While the applicant was using a trolley to carry out her cleaning work, a bus passing by suddenly hit the said trolley which then pushed forward and hit the applicant. The applicant sustained serious injuries to her chest wall and back.	16/3/2015	To be assessed by the court	Ongoing as it is at the pleadings stage
2. DCEC 2762/2016 Lapco Service	The applicant slipped on banana peels and fell on the ground while she was cleaning the public toilet at work, causing residual lower back pain and stiffness.	21/4/2015	To be assessed by the court	Ongoing and it is at the pleadings stage
3. DCEC 1959/2016 Lapco Service	The applicant's right leg fell into a manhole carrying a heavy wooden board during her course of employment. As a result, she sustained injury to her left leg.	10/7/2015	To be assessed by the court	Ongoing and it is at the pleadings stage
4. DCEC 1457/2016 Lapco Service	While loading a glass onto a garbage truck, the applicant's co-worker failed to hold the glass and dropped it. As a result, his right hand was injured.	11/5/2016	To be assessed by the court	Ongoing and it is at the pleadings stage
5. DCEC 1174/2016 Lapco Service	While the applicant was moving rubbish bags at work, one bag split open and glass within it fell on his left foot, causing injury to his left foot.	12/9/2015	To be assessed by the court	Ongoing and it is at the pleadings stage
6. DCEC 2744/2015 Lapco Service	The applicant was hit by a trolley while carrying concrete debris to a refuse collection point. As a result, her back and right leg was hurt.	12/9/2015	To be assessed by the court	Ongoing and it is at the pleadings stage

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Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Date of Incident	Total amount claimed (approximately)	Status
7. DCEC 1795/2015 Lapco Service	While returning to the office of Lapco Service, the applicant was knocked by a taxi, causing multiple injuries including head, back, right shoulder and knee.	8/12/2014	To be assessed by the court	Ongoing and it is at the pleadings stage
8. DCEC 1678/2015 Lapco Service	The applicant was knocked down by a trolley at work, causing chest wall contusion injuries.	16/3/2015	To be assessed by the court	Ongoing and it is at the pleadings stage
9. DCEC285/2017 Shiny Glory	The applicant sprained his right shoulder while the applicant was performing cleaning work during his course of employment.	5/4/2015	To be assessed by the court	Ongoing as it is at the pleadings stage
10. DCEC 2028/2016 Shiny Glory	The applicant was performing cleaning work on a ladder during his course of employment. The ladder suddenly broke and the applicant fell off the ladder. As a result, the applicant suffered from backbone injury.	28/9/2015	To be assessed by the court	Ongoing and it is at the pleadings stage
11. DCEC 2325/2016 Shiny Glory	The applicant slipped and fell on the ground while at work, and she sustained fracture left wrist	16/4/2016	To be assessed by the court	Ongoing and it is at the pleadings stage
12. DCEC 1712 / 2016 Shiny Glory	The applicant sustained personal injuries in two accidents at work. In the first incident, she was hit by a football shot to her head by a football player and fell on the ground, causing head, right shoulder and right elbow injuries. In the second incident, she sprained her right hand while collecting rubbish.	20/1/2015 & 5/2/2015	To assessed by the court	Ongoing and it is at the pleadings stage
13. DCEC 1113/2016 Shiny Glory	The applicant sprained her back while carrying rubbish to a refuse collection point.	31/10/2015	To be assessed by the court	Ongoing and it is at the pleadings stage

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Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Date of Incident	Total amount claimed (approximately)	Status
14. DCEC 2095/2015 Shiny Glory	The applicant stepped into an uncovered drainage ditch at work, causing left foot fracture.	23/1/2015	To be assessed by the court	Ongoing and it is at the pleadings stage
15. DCEC 1590/2014 Shiny Glory	The applicant was assaulted by another Shiny Glory's employee, causing multiple injuries to face, chest and upper limbs and relapse of paranoid schizophrenia.	25/8/2012	To be assessed by the court	Ongoing and it is at the discovery stage
<i>Other personal injury claims</i>				
16. HCPI293/2017 Lapco Service	While loading a glass onto a garbage truck, the plaintiff's co-worker failed to hold the glass and dropped it. As a result, his right hand was injured.	11/5/2016	To be assessed by the court	Ongoing as it is at the pleadings stage
17. DCPI971/2017 Lapco Service	The plaintiff fell on the ground causing injuries to her left arm.	7/5/2014	To be assessed by the court	Ongoing as it is at the pleadings stage
18. DCPI 107/2017 Lapco Service	The plaintiff sprained her waist and back while she was throwing a bamboo basket containing fish scales into a large green rubbish bin at work.	24/3/2014	To be assessed by the court	Ongoing as it is at the pleadings stage
19. DCPI 2136/2016 Lapco Service	The plaintiff slipped from a lorry tail lift platform and sustained multiple injuries resulting in pain in low back, shoulders, knees, left buttock and left thigh, and right knee abrasion and left thigh bruise.	4/11/2013	HK\$481,954.70 plus interest	Ongoing as it is at the pleadings stage
20. DCPI 1541/2016 Lapco Service	While the plaintiff was leaving the street market (working location) through a gate, the plaintiff's face bumped against the gate when she was passing through and suffered from left eye injury.	30/6/2014	HK\$952,643 plus interest	Ongoing and it is at the pleadings stage

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Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Date of Incident	Total amount claimed (approximately)	Status
21. DCPI 358/2016 Lapco Service	The plaintiff fell down when pulling a rubbish bin, and sustained personal injuries to her lower limb, low back and right thumb.	2/3/2013	HK\$246,051 plus interest	Ongoing and it is at the pleadings stage
22. DCPI 64/2016 Lapco Service	The plaintiff neck was injured while driving his taxi and it was hit by a vehicle driven by another employee of Lapco Service.	2/9/2014	HK\$256,330 plus interest	Ongoing and it is at the pleadings stage
23. DCPI1311/2017 Lapco Service	The plaintiff fell down near a fish stall allegedly and suffered injuries as a result	5/12/2015	To be filed by the plaintiff	Ongoing and it is at the pleading stage
24. DCPI195/2017 Shiny Glory	While the plaintiff was walking down the staircase, she slipped and fell back onto a step of the staircase where Shiny Glory was claimed to be the cleaning contractor of the staircase.	9/4/2014	To be assessed by the court	Ongoing as it is at the pleadings stage
25. DCPI801/2017 Shiny Glory	While the plaintiff was standing on the ladder at the playground to carry out his work, the ladder broke and thereby causing the plaintiff fell from the ladder. As a result, the plaintiff sustained serious personal injuries.	28/9/2015	To be assessed by the court	Ongoing as it is at the pleadings stage
26. DCPI 1732/2015 Shiny Glory	The plaintiff fell on the floor while she was walking on the slippery floor at work, causing injuries left wrist, elbow and radius.	14/1/2015	HK\$579,049 plus interest	Ongoing and it is at the pleadings stage
27. HCPI 892/2015 Shiny Glory	The plaintiff was assaulted by another employee of Shiny Glory, causing multiple injuries to face, chest and upper limbs and relapse of paranoid schizophrenia.	25/8/2012	HK\$1,155,725 plus interest	Ongoing and it is at the pleadings stage

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Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Date of Incident	Total amount claimed (approximately)	Status
28. HCMP 76/2017 Shiny Hope	The plaintiff was a pedestrian hit by a medium goods vehicle, the registered owner of which is Shiny Hope.	9/7/2013	To be assessed by the court	Ongoing as it is at the pleadings stage
29. DCPI 1928/2016 Shiny Hope	The plaintiff suffered headache and neck pain while driving a private car which was hit by a vehicle driven by an agent or servant of Shiny Hope.	5/8/2015	HK\$461,750 plus interest	Ongoing as it is at the pleadings stage
<i>Other litigation</i>				
30. ESS44975/2016 Shiny Glory	Shiny Glory failed to ensure the safety and health at work of its employee(s) at Lei King Wan, Sai Wan Ho.	7/6/2016	The Hong Kong Legal Counsel advises that the maximum liability of Shiny Glory under the said case is a fine of HK\$200,000.	Ongoing as it is at the trial stage

Note: The above list includes the litigation cases with claims that are either exceed HK\$200,000 or where the claims are to be assessed by the court.

2. Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group arising from work-related incidents and injuries

For some of the potential claims, even if the relevant employee's compensation had been settled under our Group's employees' compensation insurance, the injured employees may still pursue litigation claims through personal injury claims against our Group under the common law. The damages awarded under the common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

Our Directors confirm that, as at the Latest Practicable Date, there were 14 employees' compensation cases which will be settled by our Group's employees' compensation insurance but as the limitation period for personal injury claims (which is generally three years from the date of the relevant incidents) has not lapsed, it is still possible for the subject persons to commence common law personal injury legal actions against our Group.

In addition, during the Track Record Period and up to 30 April 2017, there are 57 reported cases on workplace injuries arising during usual and ordinary course of business of our Group but no further action has been commenced in respect of such cases after the reporting. As such claims have not commenced, we are not in a position to assess the likely

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quantum of such potential claims. As at the Latest Practicable Date and our Directors confirm that notices of all the accidents had been given to the insurers to the extent required by law.

Our Directors are of the view that the ongoing and potential litigations will have no material impact on our Group's operations, financial position or business having considered that (i) we have maintained adequate insurance coverage; (ii) in respect of employees' compensation insurance, although the insurance coverage for the ongoing litigations that took place prior to 30 June 2015 i.e. 10 out of 30 incidents (among which four incidents took place after, and six incidents before, the commencement of the Track Record Period i.e. 1 January 2015), is subject to policy excess as set forth above, the insurance coverage for the majority of the potential litigations, in particular for the 57 reported cases, would no longer be subject to any policy excess since these incidents took place after 30 June 2015; (iii) our Group has sufficient frontline workers to replace the injured employees; and (iv) none of the incidents caused any material disruption to our business.

The Indemnifiers have entered into the Deed of Indemnity whereby the Indemnifiers have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, inter alia, any liabilities (including any policy excess) incurred by the Group in relation to the outstanding and unsettled litigation claims on or before the date on which the Share Offer becoming unconditional. Further details on the Deed of Indemnity are set forth in the paragraphs headed "Other information — 1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus. Accordingly, the outstanding and unsettled litigation claims would not result in any diminution in equity value of our Group.

3. Litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to the Latest Practicable Date

Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Amount of total settlement sum (approximately)	Covered by Insurance	Amount borne by our Group (approximately)
<i>Employees' compensation claims</i>				
1. DCEC 1718/2015 Lapco Service	The applicant slipped from a lorry tail lift platform and sustained injuries to his left shoulder, left thigh, left knee and back.	HK\$268,301	Yes	HK\$268,301 (Note 1)
2. DCEC 916/2014 Lapco Service	The applicant fell down while pulling rubbish bins, and sustained right thumb and low back pain.	HK\$51,646	Yes	HK\$51,646 (Note 1)

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Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Amount of total settlement sum (approximately)	Covered by Insurance	Amount borne by our Group (approximately)
3. DCEC 369/2013 Lapco Service	The applicant lost balance and fell while climbing up the rubbish truck for disposal process during work and suffered for right ankle fracture.	HK\$188,959	Yes	Nil
4. DCEC 490/2012 Shiny Glory	The applicant slipped over the wet and slippery marble floor and fell forward onto the floor in the working place, causing multiple injuries to her low back, left shoulder and knee.	HK\$220,732	Yes	Nil
5. DCEC 1434/2016 Lapco Service	The deceased was hit by a public light bus while crossing the road, and died during her course of employment.	HK\$450,000	Yes	Nil (Note 3)
<i>Other personal injury claims</i>				
6. DCPI 675/2015 Lapco Service	The plaintiff slipped and fell onto a floor at a public toilet which Lapco Service was responsible for its cleanliness.	Nil	Yes	Nil
7. DCPI 799/2014 Lapco Service	The plaintiff 's left thigh was struck by a tilted garbage container while lifting the garbage container up at work.	HK\$260,000	Yes	Nil
8. DCPI 1839/2013 Lapco Service	The plaintiff lost balance and fell while climbing up the rubbish truck for disposal process during work and suffered for right ankle fracture.	HK\$450,000	Yes	Nil
9. DCPI 2790/2012 Lapco Service	The plaintiff 's finger was crushed by drain cover while washing it and sustained injuries.	HK\$200,000	Yes	Nil

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Litigation case number/ Name(s) of our Group company(ies)	Particular of the claims	Amount of total settlement sum (approximately)	Covered by Insurance	Amount borne by our Group (approximately)
10. DCPI 1996/2012 Lapco Service	The plaintiff slipped and fell off on the staircase tainted by cleaning water or agent, resulting in injuries in her back and buttock.	HK\$60,000	Yes	HK\$10,000 (Note 2)
11. DCPI 1890/2014 Shiny Glory	The plaintiff slipped and fell onto the ground and sustained left distal radius fracture.	HK\$219,000	Yes	Nil
12. DCPI 1204/2014 Shiny Glory	The plaintiff slipped and fell onto a wet floor in male lavatory and sustained left face and left eyebrow injuries.	HK\$100,000	Yes	HK\$80,000 (Note 2)
13. DCPI 2491/2013 Shiny Glory	The plaintiff slipped over the wet and slippery marble floor and fell forward onto the floor in the working area, causing multiple injuries to her lower back, left shoulder and knee.	HK\$200,000	Yes	Nil
14. DCPI 2449/2013 Shiny Glory	The plaintiff slipped over and fell onto the floor in a shopping mall.	HK\$138,000	Yes	HK\$10,000 (Note 2)
15. DCPI 976/2013 Shiny Glory	The plaintiff was tripped by a water pipe placed on the ground and fell onto the ground at work, resulting in injury to her right ankle.	HK\$157,775	Yes	Nil

Note 1: Our Group bore the full amount of claims because the claims are within the insurance excess under the relevant insurance policy then in effect.

Note 2: The amount borne by our Group represents the insurance excess under the relevant public liability insurance policy.

Note 3: The said public light bus's insurer has taken over the handling of the case DCEC 1434/2016 and reached a full and final settlement with the applicant (who is the administrator of the estate of the deceased) in the sum of HK\$450,000 plus costs. The applicant signed the discharge form on 15 March 2017 and the said litigation was discontinued by the court order filed on 2 May 2017. Given that the total settlement sum was borne by the said public light bus's insurer, there is no negative repercussions on our Group.

REGULATORY NON-COMPLIANCE

Our Directors confirm that save as disclosed below under this section, our Group had complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Set out below are details of our Group's past material non-compliance during the Track Record Period and as at the Latest Practicable Date:

Particular of non-compliance	Reason for the non-compliance	Remedial Action	Legal Consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
Shiny Glory				
<p>The IRD does not accept the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> and Form-IR56F <i>Notification By An Employer Of An Employee Who Is About To Cease To Be Employed</i> for the years of assessment 2013/14 and 2014/15 filed by Shiny Glory because they were said to have contained doubtful information (which relate to certain particulars of employees such as (i) their sex or name, and Hong Kong Identity Card numbers; and (ii) the remuneration amounts as shown on the Forms IR56B and Forms IR56F in respect of certain employees being different from those on the statement of income submitted by Shiny Glory) and requested Shiny Glory to supply more information and proof.</p>	<p>The preparation and submission of Form-IR56B and Form-IR56F for 2,631 staff employed by our Group as at 31 December 2015 were arranged by its human resources department which had inadvertently provided incorrect information (which relate to certain particulars of employees such as their sex or name, and Hong Kong Identity Card numbers and the remuneration amounts as shown on the Forms IR56B and Forms IR56F in respect of certain employees being different from those on the statement of income submitted by Shiny Glory) by mistake without cross-checking with the database of employees, which contains the personal details of all of our employees, and through input error by entering the incorrect remuneration amounts for employees not in accordance with the corresponding line items of excel spreadsheets of payroll to the IRD in the said forms due to lack of professional supervision, assistance and manpower at the material time and the massive headcount. These incidents of non-compliance relate to matters of purely administrative and clerical nature, and customarily undertaken by the human resources department, without any fraud and dishonesty on the part of our Directors and members of our senior management. At the material time, the human resources department headed by the human resources manager was responsible for filing the Forms IR56B and Forms IR56F containing correct employee particulars to the IRD.</p>	<p>Our Group has engaged a tax representative to collect the information immediately after receiving the enquires from the IRD. The tax representative conducted a review on the forms, liaised with the personnel of the IRD, and gathered the particulars of the employees from Shiny Glory, and replacement forms were submitted to the IRD on 8 September 2016 and 31 March 2017 respectively.</p> <p>In respect of Lapco Service, the tax representative submitted the Form 1126A as requested by the IRD on 29 April 2016.</p> <p>As at the Latest Practicable Date, there has been no further enquiries received from the IRD and the tax representative have made all replies to the enquiries of the IRD received in respect of the years of assessment 2013/14 and 2014/15 for Shiny Glory.</p>	<p>Pursuant to section 80(2)(c) of the Inland Revenue Ordinance, any person who without reasonable excuse gives any incorrect information in relation to any matter or thing affecting his own liability (or the liability of any other person) to tax commits an offence with a maximum penalty of HK\$10,000 plus a further fine of treble the amount of tax which has been undercharged, if any. Even though the directors of Shiny Glory were not liable under section 80(2)(c) of the Inland Revenue Ordinance, section 80(4) of the Inland Revenue Ordinance provides that, any person who aids, abets or incites another person to commit an offence under this section shall be deemed to have committed the same offence and to be liable to the same penalty.</p> <p>Pursuant to section 82(1) and 82(1A) of the Inland Revenue Ordinance, any person who wilfully with intent to evade or to assist any other person to evade tax is liable on indictment to a fine of HK\$50,000, a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected, and imprisonment for three years.</p> <p>Pursuant to section 82A(1) of the Inland Revenue Ordinance, if the IRD chooses not to prosecute under sections 80 and/or 82 of the Inland Revenue Ordinance as above, it can by virtue of section 82A(1) of the Inland Revenue Ordinance make assessment to a maximum additional tax of an amount not exceeding treble the amount of tax which has been undercharged in consequence of the incorrect information.</p>	<p>A tax representative has been engaged on 8 March 2016 to prepare Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> and would assist Shiny Glory in filing Form-IR56F <i>Notification by an Employer of an Employee Who Is About To Cease To Be Employed</i> starting from the year of assessment 2015/16.</p> <p>Two senior executive of the human resources department have been tasked to cross-check all information in the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> before filing.</p>
Lapco Service				
<p>The IRD requested Lapco Service to complete and return Form 1126A with proof to supplement the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> for the year of assessment 2014/2015 filed by Lapco Service because it was said to have contained doubtful information (which relate to certain particulars of employees such as their sex or name, and Hong Kong Identity Card numbers).</p>	<p>The IRD requested Lapco Service to complete and return Form 1126A with proof to supplement the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> for the year of assessment 2014/2015 filed by Lapco Service because it was said to have contained doubtful information (which relate to certain particulars of employees such as their sex or name, and Hong Kong Identity Card numbers).</p>	<p>The IRD requested Lapco Service to complete and return Form 1126A with proof to supplement the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> for the year of assessment 2014/2015 filed by Lapco Service because it was said to have contained doubtful information (which relate to certain particulars of employees such as their sex or name, and Hong Kong Identity Card numbers).</p>	<p>The IRD requested Lapco Service to complete and return Form 1126A with proof to supplement the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> for the year of assessment 2014/2015 filed by Lapco Service because it was said to have contained doubtful information (which relate to certain particulars of employees such as their sex or name, and Hong Kong Identity Card numbers).</p>	<p>The IRD requested Lapco Service to complete and return Form 1126A with proof to supplement the Form-IR56B <i>Employer's Return of Remuneration and Pensions</i> for the year of assessment 2014/2015 filed by Lapco Service because it was said to have contained doubtful information (which relate to certain particulars of employees such as their sex or name, and Hong Kong Identity Card numbers).</p>

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Particular of non-compliance	Reason for the non-compliance	Remedial Action	Legal Consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
			<p>Shiny Glory</p> <p>The Hong Kong Legal Counsel advises that given that Shiny Glory attached all the relevant sheets of Form IR56B (There were over 1,000 staff and hence over 1,000 of individual forms filed with IRD in a year of assessment) and submitted the whole set of Form IR56B to IRD for assessment of tax, the submission of all the whole set of Form IR56B constitute one single act of Shiny Glory. The same applies to the submission of Form IR56F as well. Therefore, the IRD will lay one charge for Form IR56B and one charge for Form IR56F against Shiny Glory for each year of assessment. A letter sent from the IRD dated 25th January 2016 to Shiny Glory shows that there is no tax undercharged for the years of assessment 2013/14 and 2014/15. In this circumstance, if Shiny Glory is to be prosecuted under section 80(2)(c) of the Inland Revenue Ordinance for incorrect Forms IR56B and IR56F, the maximum potential liability for the possible charges against Shiny Glory will be HK\$10,000 x 2 x 2 = HK\$40,000.</p> <p>The Hong Kong Legal Counsel advises that given that the directors of Shiny Glory were not the persons who prepared the previous incorrect Forms IR56B and IR56F and they had assigned the human resources department to fill in the Forms IR56B and IR56F, it cannot be said that they had given incorrect information in relation to any matter or thing affecting the liability of Shiny Glory. There is no evidence to suggest that the directors of Shiny Glory had in any way aided, abetted or incited Shiny Glory to have given incorrect information in the forms. Shiny Glory and/or its directors are unlikely wilful in this regard. The Hong Kong Legal Counsel opines that there is no basis for the directors of Shiny Glory being prosecuted by the IRD under section 80(4) of the Inland Revenue Ordinance, and the chance of Shiny Glory and/or its directors being prosecuted under section 82 of the Inland Revenue Ordinance is remote.</p>	

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Particular of non-compliance	Reason for the non-compliance	Remedial Action	Legal Consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
			<p>The IRD has not yet taken any action or levied any penalty up to the Latest Practicable Date. The Hong Kong Legal Counsel further opines that if the IRD chooses not to prosecute under sections 80 and/or 82 of the Inland Revenue Ordinance, it can by virtue of section 82A(1) of the Inland Revenue Ordinance make assessment to a maximum additional tax of an amount not exceeding treble the amount of tax which has been undercharged in consequence of the incorrect information against Shiny Glory. However, in the present case, since there has not been any tax undercharged as the incidents do not pertain to any understatement of profits of our Group, but only doubtful information on the parts of the employees in Forms IR56B and Forms IR56F, the IRD will not invoke an assessment under section 82A(1).</p> <p>Lapco Service</p> <p>The Hong Kong Legal Counsel opines that if Lapco Service is to be prosecuted under section 80(2)(c) of the Inland Revenue Ordinance for submission of incorrect Form IR56B, given that Lapco Service has no tax undercharged as the incidents do not pertain to any understatement of profits of our Group, but only doubtful information on the parts of the employees in Forms IR56B and Forms IR56F for the year of assessment concerned, the maximum potential liability for the possible charges against Lapco Service will be HK\$10,000.</p>	

Lapco Service

Particular of non-compliance	Reason for the non-compliance	Remedial Action	Legal Consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
<p>Unit 17, Unit 18 and Unit 19 of 6/F, Block A, Proficient Industrial Centre, 6 Wang Kwung Road, Kowloon Bay, Kowloon, Hong Kong (collectively, the “Existing Premises”) were used by us as head office (the “Actual Use”) whereas the permitted use of the Existing Premises under the relevant tenancy agreements are for industrial purposes, the permitted usage under the relevant deed of mutual covenant is for industrial or godown purpose and the permitted usage under the relevant occupation permit is for workshops and ancillary accommodation for non-domestic use.</p>	<p>The breach was not wilful, which occurred due to the absence of professional advice at the material time.</p>	<p>To avoid any possible legal consequences, on 23 June 2016, Lapco Service entered into a tenancy agreement with an Independent Third Party to lease the premises at Unit 301A, 3/F, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (the “New Premises”). As at the Latest Practicable Date, our head office was relocated to the New Premises. Further details are set forth in the section headed “Continuing connected transactions” in this prospectus.</p>	<p>The Hong Kong Legal Counsel advises that if the restriction on the user of a property was not observed, the HK Government could resume, re-enter upon and re-take possession of the whole lot including the said property. In practice, it is open to the owner of the Existing Premises to apply to the relevant District Land Officer for a temporary waiver of the user restriction by payment of an administrative fee or for a modification of the terms of the government by payment of premium so that the Existing Premises could be used as an office. The District Land Officer may or may not approve such an application.</p> <p>There is no liability on the part of a mere tenant vis-à-vis the HK Government. However, the landlord, i.e. the owner, may commence civil action against the tenant for causing the breach of the user restriction and demand for termination of the tenancy agreement and/or to claim for damage.</p>	<p>We will seek external legal adviser with relevant experience in the field of conveyancing to perform an assessment on the legality of the intended usage of the property before leasing or acquiring a property.</p>
			<p>Given the said breaches of user restriction, the Hong Kong Legal Counsel advises that the landlords of the Existing Premises (all being companies controlled by Mr. Lam and/or Ms. Wong) are entitled to terminate the tenancies immediately either by way of forfeiture or by way of acceptance of repudiation, and Lapco Service is obliged to vacate and leave the Existing Premises immediately. The landlords are not entitled to claim future rents from Lapco Service under forfeiture or to claim mesne profit and/or damages for trespass from the deposit if Lapco Service does not overstay and reinstate the Existing Premises. However, the landlords are entitled to claim damages from the Lapco Service for the loss the landlords suffer as a result of Lapco Service’s breach of the user restriction covenant.</p>	

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Particular of non-compliance	Reason for the non-compliance	Remedial Action	Legal Consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
			<p>The Hong Kong Legal Counsel further opines that if a landlord accepts a repudiation by a tenant, he is not entitled to sue for damages representing the loss of future rent, therefore the Hong Kong Legal Counsel is of the view that Lapco Service is not liable to pay the rent accrued after the date of acceptance. However, the landlords may claim for other loss suffered, i.e. the loss of rental income before the landlords are able to let the premises to new tenant. Given that the tenancy agreements of the Existing Premises require two months' notice period for termination, the Hong Kong Legal Counsel is of the view the maximum loss of rental income is likely to be rental income of two months. As such, Lapco Service might be liable to pay the landlords a total of HK\$132,840 (i.e. (HK\$20,520 + HK\$24,960 + HK\$20,940) x 2 months) as damages. The Hong Kong Legal Counsel is not aware that the landlords may be entitled to claim other damages.</p> <p>If the HK Government re-enters the Existing Premises on the basis that the user contravenes the occupation permit, the landlords may be entitled to claim damages for the loss they suffer as a result of the HK Government's re-entering. Our Directors confirm that they are not aware that the HK Government has initiated any lease enforcement action against the landlords up to the Latest Practicable Date. Further, the HK Government's usual practice is to serve a warning notice to the landlords before exercising its right to re-enter. If Lapco Service ceases using the Existing Premises as its office immediately upon the receipt of the said notice, it is unlikely that the HK Government will re-enter the Existing Premises. As such, the Hong Kong Legal Counsel is of the view that the practical risk of Lapco Service being liable for the landlords' loss as a result of HK Government's re-entering is low.</p>	

Shiny Hope

Particular of non-compliance	Reason for the non-compliance	Remedial Action	Legal Consequence including potential maximum penalties	Measures to prevent any further breaches and ensure ongoing compliance
<p>Shiny Hope did not notify the IRD that it was chargeable for profits tax for the year of assessment 2014/2015 as required by section 51(2) of the Inland Revenue Ordinance. There was a delay of approximately 14 months in making the notification.</p>	<p>The non-compliance was due to inadvertent omission of our relevant staff as the business of Shiny Hope did not give rise to any assessable profits and thus was under no obligation to make the required notification in respect of the previous year of assessment;</p> <p>It did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group.</p>	<p>On 14 June 2016, Shiny Hope, through its tax representative, notified the IRD in writing and made a voluntary request for a tax return for the year of assessment 2014/2015.</p>	<p>Under section 80(2)(e) of the Inland Revenue Ordinance, any person without reasonable excuse fails to comply with section 51(2) commits an offence and is liable on conviction to a fine at level 3 (\$10,000) and a further fine of treble the amount of tax which has been undercharged.</p> <p>Alternatively, under section 82A(1) of the Inland Revenue Ordinance, if no prosecution under section 80(2) has been instituted in respect of the same facts, additional tax of an amount not exceeding treble the amount of tax which has been undercharged in consequence of the failure to comply with section 51(2) may be imposed.</p> <p>As the total tax undercharged for the year of assessment 2014/15 was approximately HK\$461,503, the maximum potential liability of Shiny Hope for the non-compliance of section 80(2)(e) would be, in case of a prosecution, a fine of HK\$10,000 plus HK\$1,384,509; or, in case of no prosecution, an additional tax of HK\$1,384,509.</p> <p>Our Hong Kong Legal Counsel opines that the chance of Shiny Hope being prosecuted is slim since: (i) the above represents the maximum penalty which would rarely be imposed for first offender; (ii) the omission was inadvertent as Shiny Hope was under no obligation to report in previous year of assessment; and (iii) upon discovery, Shiny Hope immediately through its tax representative made voluntary disclosure and the relevant profits tax return was filed within the time limit.</p> <p>As for the additional tax levied under section 82A(1) of the Inland Revenue Ordinance, our Hong Kong Legal Counsel is of the view that according to the Section 82A Penalty Policy for Profits Tax Cases, for first offence, the additional tax is 10% of the amount undercharged. And, since such penalty policy is open to public, there is no reason for the IRD to depart from it, our Hong Kong Legal Counsel is therefore of the view that the likely amount of additional tax against Shiny Hope would be around HKD\$46,150.30 (being 10% of HKD\$461,503).</p>	<p>Our accounting department will be responsible for tax filing and will ensure the completeness of tax filing process of each of the entities in our Group. Our management team will ensure our accounting department is equipped with employees having sufficient experience and knowledge on tax issue and tax filing. Before the filing of any tax return, it will be reviewed and approved by our financial controller, Mr. Tam Yiu Shing, Billy. Further details regarding the experience and qualification of Mr. Tam are set forth in the section headed "Directors and Senior Management" in this prospectus. Our Group has also engaged a tax representative to perform regular review on our overall compliance on tax filing. Our Group will also obtain its tax advice if we are in doubt of any tax issue.</p>

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

We are an environmental hygiene service provider based in Hong Kong and exposed to the risks generally encountered by other environmental hygiene service providers. Further details on the industry risks are set forth in the paragraphs headed “Risk factors — Risks relating to the industry in which we operate” in this prospectus.

On 26 April 2016, our Group engaged an independent internal control consultant to perform a review of our Group’s internal control system. Scope of review includes the areas of corporate controls, financial reporting and disclosure controls and other operational level controls.

Our internal control consultant has reviewed and provided recommendations to our internal control system for remedying and preventing the recurrence of the abovementioned non-compliance incidents. As a result, we have adopted or will adopt the following recommendations given by our internal control consultant:

- We have engaged a tax representative to prepare the Form-IR56B *Employer’s Return of Remuneration and Pensions* and Form-IR56F *Notification By An Employer Of An Employee Who Is About To Cease To Be Employed* and review overall compliance on tax filing.
- We will engage external professional advisers (including compliance adviser with effect from Listing and legal advisers as to Hong Kong laws) to provide professional advice and guidance to us to ensure compliance with the applicable laws and regulations.
- We will establish policies and procedures to handle and monitor our Group’s compliance with the GEM Listing Rules in respect of directors’ dealing in securities of our Company, notifiable and connected transactions, corporate governance, distribution of interim and annual results, price-sensitive information and enquiries from regulatory authorities.
- We will establish an ongoing monitoring mechanism on the effectiveness of our Group’s internal controls by engaging a qualified external service provider to carry out an annual assessment of the Group’s internal controls system.

Our internal control consultant performed a follow-up review during 18 July 2016 to 15 March 2017 in this connection. Our Group did not have significant deficiencies in our internal control system upon the closing review.

The Group has established the Code of Conduct (the “Code”) since 11 July 2016 and the Code sets out the standard of conduct expected for all directors and employees of the Group and the Group’s policy on acceptance of advantage and handling of conflict of interest when dealing with the Group’s business. Key areas of the Code include introduction of Prevention of Bribery Ordinance, acceptance of advantage, offer of advantage, entertainment, records, accounts and other documents, conflict of interest and relationship with suppliers, contractors and customers. The Code stipulates that it is the responsibility of every director and employees of the Group to understand and comply with the Code, whether performing his or her duties in or outside Hong Kong. The managers should also ensure that the staff under their supervision understand well and comply with the Code. Any directors or employees in breach of the Code will be subject to disciplinary action, including termination of appointment. In cases of suspected corruption or other criminal offences, a report will be made to the ICAC or the appropriate authority. Furthermore, any enquiries about the Code or reports of possible breaches of the Code should be made to directors or senior management.

The Group provides training in relation to the Code to all new joiners. After the training, each new joiner will sign on a declaration form to confirm his or her understanding and receipt of training on the Code.

The Group has established formal whistleblowing policy and procedures which allows all employees to report anonymously any action, situation or circumstance that appears to be in violation of the Code of Conduct or of any laws, regulations or our other internal policies without fear or retaliation. Upon completion of the internal control review (including follow-up review), no significant deficiencies were noted in relation to the operational level controls of the Group by our internal control consultant.

Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish an internal control system and procedures to manage the risks exposed to us and enhance the internal controls at both corporate and operational levels. Accordingly, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective for our operations.

Corporate governance

We strive to strengthen the role of our Board as a decision making body in relation to our fundamental policies and management issues, and supervising our operations. Our Board comprises three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge. Further details on the qualification and experience of our Board members are set forth in the section headed “Directors and senior management” in this prospectus.

View of our Directors and the Sole Sponsor

Having considered the background leading to the specific incidents of material claims and the view of our internal control consultant on our internal control system, our Directors are of the view, and the Sole Sponsor concurs, that (a) the various internal control measures adopted by us are adequate and effective; (b) our non-compliance incidents and the incidents of material claims do not affect the suitability of our Directors to act as directors under Rules 5.01 and 5.02 of the GEM Listing Rules; and (c) the incidents identified do not affect the suitability for the Listing of our Company's under Rule 11.06 of the GEM Listing Rules.

Indemnity from the Indemnifiers in relation to the non-compliances

The Indemnifiers have entered into the Deed of Indemnity whereby the Indemnifiers have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, inter alia, any liabilities which may arise as a result of any non-compliance of our Group on or before the date on which the Share Offer becomes unconditional. Further details on the Deed of Indemnity are set forth in the paragraphs headed "Other information — 1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus.

ENVIRONMENTAL COMPLIANCE

Compliance with the Waste Disposal Ordinance

Services of our Group in relation to handling of waste

Our Group's waste management services include, but not limited to, the emptying of garbage bins of the premises of our customers, where relevant, collection of garbage from refuse room of each floor and transfer the garbage collected to the refuse collection point of the building (namely "**Door-to-door Services**"), as well as the collection of waste with specialised vehicles, such as hook-lift trucks, grab lorries, tipper lorries and waste compaction vehicles, from refuse collection points of the buildings or street and transport the garbage collected to government designated waste disposal facilities (namely "**Waste Management Services**"). The types of waste that we handle generally include street waste, household waste and industrial waste.

Relevant sections of the Waste Disposal Ordinance

Pursuant to the Waste Disposal Ordinance, the Collection Authority includes the FEHD and the EPD. The FEHD is generally responsible for the services in section 9 of the Waste Disposal Ordinance, including but not limited to, the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste (the "**Services**") and pursuant to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal Ordinance, the EPD is generally responsible for construction waste, chemical waste and clinical waste.

BUSINESS

Confirmation from the FEHD and the EPD

The FEHD confirmed by letters dated 20 September 2016 and 28 October 2016 (the “**FEHD Letter**”), that:

- (i) the FEHD does not have a licensing mechanism under the Waste Disposal Ordinance;
- (ii) the FEHD does not provide services for removal and disposal of trade waste/commercial waste;
- (iii) the FEHD does not provide Door-to-door Services for household waste; and
- (iv) the FEHD will arrange cessation of the Services at any locations upon receiving request from the management office of any locations.

The EPD confirmed by a letter dated 23 August 2016, that:

- (i) the EPD has not issued any licence under section 10(1) of the Waste Disposal Ordinance to any person to provide any services referred in section 9 of the Waste Disposal Ordinance; and
- (ii) the EPD has not provided any services for removal and disposal of household waste referred in section 9 of the Waste Disposal Ordinance.

Implication of the Waste Disposal Ordinance in our operation

Based on the confirmation from the FEHD and the EPD as stated above, the prohibition under section 11 of the Waste Disposal Ordinance should only apply to our Waste Management Services wherein it involves household waste given the fact that (i) the prohibition under section 11 of the Waste Disposal Ordinance does not apply to construction waste; and (ii) the FEHD does not provide services for removal and disposal of trade waste and hence, the prohibition under section 11 of the Waste Disposal Ordinance does not apply to our Group in respect of the removal and disposal of trade waste. As for household waste, the FEHD does not provide Door-to-door Services and there is no overlapping of our Waste Management Services with their Services.

Our Group’s compliance with the Waste Disposal Ordinance

Our Directors also confirm that our Waste Management Services which involved household waste and street waste during the Track Record Period and up to the Latest Practicable Date do not overlap with the Services of the FEHD. As such, we have been advised by our Hong Kong Legal Counsel that our Waste Management Services falls within the exemption under section 12(1)(b) of the Waste Disposal Ordinance and it is lawful for our Group (being the party designated by or to represent management of a building to remove household waste) to provide the Waste Management Services without a licence at locations where the FEHD did not provide the same services at the same time.

In light of the above, our Group's waste removal and disposal services had complied with the Waste Disposal Ordinance during the Track Record Period and up to the Latest Practicable Date.

Our Hong Kong Legal Counsel are of the view that the officers of the EPD and the FEHD who provided the interpretation of the Waste Disposal Ordinance are the appropriate source for seeking clarification on the Waste Disposal Ordinance, have the relevant authority and are authorised to give such advices regarding the Waste Disposal Ordinance. Our Hong Kong Legal Counsel are of the view that the interpretation by the EPD and the FEHD is unlikely to be challenged by a higher authority as both the EPD and the FEHD are the Collection Authority defined under the Waste Disposal Ordinance and the EPD is responsible for the enforcement of the Waste Disposal Ordinance.

We will also keep track of any update of the laws and regulations relating to waste collection. Once the relevant licence is available for applications, we will promptly apply for such licence. Based on the information available to our Directors, as at the Latest Practicable Date, our Directors were not aware of any major obstacles for our Group to apply for the relevant licence should such licence be available for application given our long track record in the industry.

Furthermore, the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) provides that a valid billing account is required for the removal and disposal of construction waste and the application for a billing account should be made to the EPD. We maintain valid billing accounts with the EPD.

Compliance with the Country Parks Ordinance and Country Parks and Special Areas Regulations

Our business operations from time to time involve our vehicles entering into country parks as specified under the Country Parks Ordinance (Chapter 208 of the Laws of Hong Kong). Our Directors confirm that the permits issued by the Agriculture, Fisheries and Conservation Department required under the Country Parks and Special Areas Regulations (Chapter 208A of the Laws of Hong Kong) have been obtained for bringing into the country parks or special area our vehicles within the country parks.

Save as disclosed under the paragraphs headed "Regulatory non-compliance" and "Litigations and claims" in this section, given we have already taken the remedial actions as advised by our Hong Kong Legal Counsel for each of the material non-compliance incidents, our Directors confirm that our Group has complied with the relevant rules and regulations in material respects and no member of our Group was engaged in any and had not been involved in any other litigation, arbitration or claims of material importance that is known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

As an environmental hygiene service provider, we are committed to environmental protection and minimising environmental impact in our course of business. We have adopted environmental protection measures to ensure that our Group complies with the relevant environmental rules and regulations and suits the specific requirements of our customers. The following table sets forth a summary of environmental protection measures:

- Adopt environmental friendly products and materials;
- Save water and energy whenever possible;
- Minimise the sound pollution in the course of provision of our service;
- Identify potential environmental aspects associated with the operation through environmental aspect assessment;
- Provide environmental training courses to our employees; and
- Conduct audit on environmental aspects.

We have also obtained and maintained the ISO 14001:2004 for our environmental management system standard applicable to cleaning, pest control and waste collection since June 2005.

OUR GROUP OF CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option), our Company will be owned as to 75% by Gold Cavaliers, which is owned as to 78.67% by the Lam Family Trust and 21.33% by Magic Pioneer. The Lam Family Trust was established by Mr. Lam and Ms. Wong as settlors, with Max Super acting as the trustee for the benefits of Mr. Lam and Ms. Wong. Magic Pioneer is owned as to 34% by Earnmill Holdings Limited, as to 33% by Croydon Capital Advisors Limited and as to 33% by Mr. Xiong Jianrui. Croydon Capital Advisors Limited is wholly owned by Mr. Choi Chung Yin, our non-executive Director. Earnmill Holdings Limited is equally owned by TTNB Profit Limited, which is in turn wholly owned by Mr. Tam Wai Tong, and Kiteway Assets Limited, which is in turn wholly owned by Mr. Tam Wai Ho.

Accordingly, each member of Gold Cavaliers, Max Super, Mr. Lam, Ms. Wong, Magic Pioneer, Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong, Mr. Tam Wai Ho, Croydon Capital Advisors Limited, Earnmill Holdings Limited, TTNB Profit Limited, and Kiteway Assets Limited, or together as a group, will become our Group of Controlling Shareholders under the GEM Listing Rules.

COMPETITION

Our Group of Controlling Shareholders, our Directors and their respective close associates do not have any interest, apart from our Group's business, which competes or may compete directly or indirectly with our Group's business and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

In addition, our Group of Controlling Shareholders have given a non-competition undertaking in favour of our Group. Further details are set forth in the paragraphs headed "Non-competition undertaking" in this section below.

INDEPENDENCE FROM OUR GROUP OF CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Group of Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that our Group is capable of carrying on our business independent of, and does not place undue reliance on, our Group of Controlling Shareholders or their close associates, taking into consideration the following factors:

Management independence

We have an independent management team comprising our executive Directors and senior management who have substantial experience in our business. Our management team is able to implement our Group's policies and strategies and performs its roles in our Company independently.

We aim at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board consists of seven Directors, comprising three executive

RELATIONSHIP WITH OUR GROUP OF CONTROLLING SHAREHOLDERS

Directors, one non-executive Director and three independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions. The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Our Company will have two common directors with Gold Cavaliers, namely Mr. Lam and Mr. Choi Chung Yin, and one common director with Croydon Capital Advisors Limited, namely Mr. Choi Chung Yin. Despite the common directorship, our Company believes that management independence between our Company and our Group of Controlling Shareholders will be maintained as Gold Cavaliers and Croydon Capital Advisors Limited are only investment holding companies, the only significant business interest of which is our Group. Max Super acts merely as the trustee of the Lam Family Trust and does not have any business operation that requires material managerial participation and attention. Further, each of our Directors is aware of his or her fiduciary duties as a director which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Our Board and the senior management operate as a matter of fact independently of our Group of Controlling Shareholders and they are in a position to fully discharge their duties to our Shareholders and our Company as a whole after the Listing without reference to our Group of Controlling Shareholders.

Operational independence

Our operations are independent of and not connected with any of our Group of Controlling Shareholders. Despite the fact that we will have certain exempt continuing connected transactions, particulars of which are set forth in the section headed "Continuing connected transactions" in this prospectus, having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Group of Controlling Shareholders and/or their associates; and (iii) our Group of Controlling Shareholders have no interest in any of our customers, suppliers or other business partners that are important to our operations, our Directors consider that our Group can operate independently from our Group of Controlling Shareholders from the operational perspective.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. We make financial decisions according to our own business needs. Our finance department will be

RELATIONSHIP WITH OUR GROUP OF CONTROLLING SHAREHOLDERS

responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

On 25 April 2016, Mr. Lam entered into a loan agreement (the “**Loan Agreement**”) with Lapco Service pursuant to which Mr. Lam has agreed to advance a loan in the amount of HK\$9.0 million with no interest to Lapco Service, for the sole purpose of satisfying the necessary outgoing, charges and expenses incurred by our Group in the Listing. Pursuant to the Loan Agreement, Lapco Service shall not be required to repay the loan and/or any interest thereon in the event of the Listing being approved by the Listing Committee of the Stock Exchange. Subsequently, Lapco Service agreed with Mr. Lam that the HK\$9.0 million would be netted off by the amount due from Mr. Lam to Shiny Hope and Shiny Glory to the extent of HK\$8.0 million. The outstanding amount of HK\$1.0 million will be fully settled prior to Listing. As a result, the Loan Agreement was terminated on 1 May 2016.

All guarantees, indemnities and other securities provided by our Group of Controlling Shareholders and/or companies controlled by our Group of Controlling Shareholders for the benefit of our Group will be released upon the Listing.

Notwithstanding the above, our Group has independent financial systems and independent treasury function for receiving cash and making payments and independent access to third party financing. Our Group makes financial decisions according to its own business needs.

In view of our Group’s internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Group of Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Group of Controlling Shareholders.

Independence of major suppliers

During the Track Record Period, our Directors confirm that none of our Group of Controlling Shareholders, our Directors and their respective close associate had any relationship with the five largest suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) for the Track Record Period and up to the Latest Practicable Date.

Independence of major customers

Our Directors confirm that none of our Group of Controlling Shareholders, our Directors and their respective close associate had any relationship with the five largest customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) for the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

Each of our Group of Controlling Shareholders as covenantor (each a “**Covenantor**”, and collectively the “**Covenantors**”) entered into the Deed of Non-competition with our Company (for ourselves and as trustee for and on behalf of our subsidiaries) on 24 June 2017.

Non-competition

In accordance with the Deed of Non-competition, each of the Covenantors irrevocably and unconditionally, jointly and severally warrants and undertakes to our Company, on its own behalf and as trustee for each of our subsidiaries that during the period that the Deed of Non-competition remains effective, he or she or it shall not, and he or she or it shall use his or her or its best endeavours to procure that his or her or its associates (not including our Company or any of our subsidiaries) shall not, whether directly or indirectly (including through anybody corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) or as principal or agent, and whether on his or her or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through our Company and any of our subsidiaries), do any of the following:

- (a) carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business presently carried on by our Company, our subsidiaries or any one of them or any other business that may be carried on by our Company or any of our subsidiaries from time to time during the term of the Deed of Non-competition (the “**Restricted Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise; and
- (b) take any action which interferes with or disrupts or may interfere with or disrupt the Restricted Business including, but not limited to, solicitation of any of the then current customers, suppliers or employees of our Company or any of our subsidiaries.

The Deed of Non-competition shall not preclude the Covenantors from having any interest in any company engaging in any Restricted Business (the “**Subject Company**”) where: (i) the total number of shares held by the Covenantors does not exceed 5% of the issued shares of the Subject Company which is or whose holding company is listed on any recognised exchange (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)); or (ii) any Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for not more than 5% of the Subject Company’s consolidated turnover or consolidated assets, as shown in the Subject Company’s latest audited accounts provided that (i) there is a holder (together where appropriate, with its associates) with a larger shareholding in the Subject Company than the aggregate shareholding held by the Covenantors and/or their respective associates at all times and (ii) the total number of the Covenantors’ representatives on the board of

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directors of the Subject Company is not significantly disproportionate in relation to their shareholding in the Subject Company.

Each of the Covenantors further irrevocably and unconditionally, jointly and severally undertakes to our Company (for ourselves and as trustee for each of our subsidiaries) that:

- (a) he or she or it shall not directly or indirectly appoint any executive director in the Subject Company;
- (b) the principal terms by which he or she or it (or their respective associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to our Company or any of our subsidiaries; and
- (c) if any business opportunity is identified by or made available to him, her or it or any of their associates, it shall and shall procure that their associates (excluding our Company or any of our subsidiaries) shall refer such business opportunity to our Company on a timely basis and in the following manner:
 - (i). he or she or it shall and shall procure that his or her or its associates (excluding our Company or any of our subsidiaries) shall give written notice to our Company of such business opportunity within seven days identifying the target company (if relevant) and the nature of the business opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such business opportunity;
 - (ii). our Company shall seek approval from our Board or a board committee (in each case comprising, among others, independent non-executive Directors) who do not have a material interest in the business opportunity (the “**Independent Board**”) as to whether to pursue or decline the business opportunity (in which any Director who has an actual or potential material interest shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such business opportunity);
 - (iii). the Independent Board shall consider the financial impact of pursuing the business opportunity offered, whether the nature of the business opportunity is consistent with our Group’s strategies and development plans, the general market conditions in the Restricted Business’s industry in Hong Kong and any advice from independent financial advisers, should the appointment of which be deemed necessary by the Independent Board;

RELATIONSHIP WITH OUR GROUP OF CONTROLLING SHAREHOLDERS

- (iv). if appropriate, the Independent Board may appoint independent financial advisers to assist in the decision-making process in relation to such business opportunity;
 - (v). the Independent Board shall, within 30 days of receipt of the written notice referred above, inform the relevant Covenantor in writing on behalf of our Company its decision whether to pursue or decline the business opportunity;
 - (vi). the relevant Covenantor shall be entitled but not obliged to pursue such business opportunity only if he or she or it has received a notice from the Independent Board declining such business opportunity; and
 - (vii). if there is any material change in the nature, terms or conditions of such business opportunity pursued by the relevant Covenantor, he or she or it shall refer such business opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a new business opportunity.
- (d) he or she or it shall provide all information necessary for (i) the annual review by the independent non-executive Directors in respect of the compliance with the Deed of Non-competition by her or it; and (ii) the enforcement of the Deed of Non-competition; and each of the Covenantors shall make an annual declaration and disclosure in compliance with the Deed of Non-competition in the annual report of our Company; and
- (e) Further, the independent non-executive Directors will review, on an annual basis, the compliance of each of the Covenantors with the Deed of Non-competition (in particular, the right of refusal relating to any business opportunity (as defined therein)) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to the public.

For this purpose, business opportunity means any new business investment or other business opportunity relating to the Restricted Business, other than in our Company.

The provisions contained in the Deed of Non-competition are conditional upon the Share Offer becoming unconditional. If the Listing does not occur in accordance with the Deed of Non-competition, the Deed of Non-competition shall terminate and, except as otherwise provided therein and without affecting any rights which have accrued prior to termination (including with respect to a breach thereof), no party shall have any further obligation to the other parties thereunder.

RELATIONSHIP WITH OUR GROUP OF CONTROLLING SHAREHOLDERS

The respective obligations of each of the Covenantors under Deed of Non-competition shall terminate on the earliest of the date on which such Covenantor ceases to hold directly or indirectly in aggregate 30% or more of the entire issued share capital of our Company, or otherwise ceases to be a member of our Group of Controlling Shareholders or our Shares cease to be listed and traded on GEM (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (1) our independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-competition undertaking by our Group of Controlling Shareholders;
- (2) our Group of Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (3) our Company will disclose decision and its basis on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company or by way of announcement to the public;
- (4) our Group of Controlling Shareholders have undertaken to provide an annual confirmation to our Company confirming that each of our Group of Controlling Shareholders and his/her close associates have not breached the terms of the undertakings contained in the Deed of Non-competition; and
- (5) our Group of Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests in relation to the Restricted Business and the business opportunity.

CONTINUING CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors, Substantial Shareholders and chief executive officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 20 of the GEM Listing Rules.

Our Directors confirm that the following transactions, which will continue after the Listing, will constitute continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules. These continuing connected transactions will be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements.

LEASE OF PREMISES

1. First Tenancy Agreement

On 1 May 2015, Lapco Service entered into a tenancy agreement (the "**First Tenancy Agreement**") with LES Limited, pursuant to which LES Limited agreed to lease to Lapco Service the property situated at Unit 17, 6/F, Block A, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong with a total gross floor area of approximately 1,368 sq.ft. for industrial use. The First Tenancy Agreement has a term of three years commencing from 1 May 2015 at a monthly rent of HK\$20,520 (exclusive of government rent, government rates and management fee). The aggregate amount (including building management fee, rent and rates) paid to LES Limited by Lapco Service for the year ended 31 December 2015 and the year ended 31 December 2016 was HK\$199,000 and HK\$288,000, respectively.

2. Second Tenancy Agreement

On 1 May 2015, Lapco Service entered into a tenancy agreement (the "**Second Tenancy Agreement**") with CCT Limited, pursuant to which CCT Limited agreed to lease to Lapco Service the property situated at Unit 18, 6/F, Block A, Proficient Industrial Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong with a total gross floor area of approximately 1,664 sq.ft. for industrial use. The Second Tenancy Agreement has a term of three years commencing from 1 May 2015 at a monthly rent of HK\$24,960 (exclusive of government rent, government rates and management fee). The aggregate amount (including building management fee, rent and rates) paid to CCT Limited by Lapco Service for the year ended 31 December 2015 and the year ended 31 December 2016 was HK\$235,000 and HK\$343,000, respectively.

3. Third Tenancy Agreement

On 1 November 2015, Lapco Service entered into a tenancy agreement (the "**Third Tenancy Agreement**") with Source Mega, pursuant to which Source Mega agreed to lease to Lapco Service the property situated at Unit 19, 6/F, Block A, Proficient Industrial

CONTINUING CONNECTED TRANSACTIONS

Centre, 6 Wang Kwun Road, Kowloon Bay, Kowloon, Hong Kong with a total gross floor area of approximately 1,396 sq.ft. for industrial use. The Third Tenancy Agreement has a term of three years commencing from 1 November 2015 at a monthly rent of HK\$20,940 (exclusive of government rent, government rates and management fee). The aggregate amount (including building management fee, rent and rates) paid to Source Mega by Lapco Service for the year ended 31 December 2015 and the year ended 31 December 2016 was HK\$176,000 and HK\$296,000, respectively.

Our Directors believe that entering into the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement would benefit our Group in the following ways:

- (a) improvement on our document filing system as the properties will be used by our Group as files storage facilities; and
- (b) centralised storage for items such as consumables.

Implications under the GEM Listing Rules

LES Limited is a company wholly owned by Mr. Lam, our Controlling Shareholder and executive Director. As such, LES Limited is an associate of Mr. Lam and a connected person of our Company for the purpose of the GEM Listing Rules. Accordingly, the transaction under the First Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

CCT Limited is a company wholly owned by Ms. Wong, our Controlling Shareholder and senior management. As such, CCT Limited is an associate of Ms. Wong and a connected person of our Company for the purpose of the GEM Listing Rules. Accordingly, the transaction under the Second Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

Source Mega is a company wholly owned by Ms. Wong, our Controlling Shareholder and senior management. As such, Source Mega is an associate of Ms. Wong and a connected person of our Company for the purpose of the GEM Listing Rules. Accordingly, the transaction under the Third Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

Aggregation of Transactions

The properties leased to Lapco Service pursuant to the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement were used by our Company as office and will be used as godown shortly after the Listing. Further details are set forth in the paragraphs headed "Business — Regulatory non-compliance".

Our Directors confirm that the above-mentioned monthly rentals under the First Tenancy Agreement, Second Tenancy Agreement and Third Tenancy Agreement were determined with reference to prevailing market rent of adjacent premises.

CONTINUING CONNECTED TRANSACTIONS

Under Rule 20.79 of the GEM Listing Rules, the transactions under the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement shall be aggregated for the purpose of calculating the applicable percentage ratios as they were all entered into with associates of Mr. Lam and within a 12-month period, and involve leasing of premises for the use of our Group.

As each of the applicable percentage ratios in respect of the aggregate rental payable under the First Tenancy Agreement, the Second Tenancy Agreement and the Third Tenancy Agreement is less than 5% while the annual aggregate rental payable by us thereunder is expected to be less than HK\$3,000,000, the transaction contemplated thereunder is exempt from the reporting, annual review, announcement, circular and the independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM THE DIRECTORS

Our Directors (including the independent non-executive Directors) consider that the above-mentioned continuing connected transactions (i) have been entered into in the ordinary and usual course of business of our Group; and (ii) are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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You should read the following discussion and analysis together with the audited combined financial statements of our Group and the notes thereto as at and for the two years ended 31 December 2015 and 2016, included in the Accountants' Report set forth in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk factors" section.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

We are an established and one-stop environmental service provider based in Hong Kong. Our environmental hygiene services cover four types, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. We provide our environmental hygiene services to a wide range of venues including streets, cultural, leisure and recreational premises, residential premises, commercial buildings, markets, restaurants and academic institutions etc. Our major customers during the Track Record Period include various departments of the HK Government, property management companies and other corporations in the private sector.

For the two years ended 31 December 2015 and 2016, we generated total revenue of approximately HK\$363.5 million and HK\$404.1 million, respectively, while our net profit amounted to approximately HK\$15.1 million and HK\$8.8 million, respectively. The increase in revenue by approximately HK\$40.7 million from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily driven by the increase in our revenue from the public sector. During the year ended 31 December 2016, the public sector recorded a revenue of approximately HK\$382.4 million, representing an increase of approximately HK\$40.7 million as compared to the year ended 31 December 2015.

Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables and direct overheads. Our total cost of services amounted to approximately HK\$328.9 million and HK\$363.9 million for the two years ended 31 December 2015 and 2016, respectively. During the Track Record Period, the direct labour costs amounted to approximately HK\$281.9 million and HK\$309.9 million, respectively, representing approximately 85.7% and 85.2% of the total cost of services.

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During the Track Record Period, our suppliers include (i) vehicles rental service providers (ii) material and equipment suppliers supplying materials and equipment such as garbage bags, toilet papers and other cleaning equipment, (iii) fuel suppliers supplying petrol for our vehicles, and (iv) subcontractors providing additional equipment or staff.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

Tendering of contracts

Our service contracts generally range from a term of two to five years in the public sector and one to two years for customers in the private sector. Accordingly, our revenue and business growth will depend on our ability to expand our customer base, renew existing service contracts and obtain new service contracts with existing and new customers. Majority of our contracts were awarded to us through tendering process which highly depends on our ability to prepare and submit competitive tenders. We prepare our tenders based on our estimated cost of services including direct labour costs, material cost and equipment costs plus a margin which we consider could be acceptable to our customers. Therefore, there is no assurance that we can renew the existing contracts and/or obtain new contracts through tendering on a continual basis. For the two years ended 31 December 2015 and 2016, revenue derived from tender contracts amounted to approximately HK\$360.0 million and HK\$401.1 million, representing approximately 99.0% and 99.2% of our total revenue, respectively. In respect of our public sector customers, we had a tender/quotation success rate of 24.2% and 24.6% for the two years ended 31 December 2015 and 2016, respectively. In respect of our private sector customers, we had a tender/quotation success rate of 19.2% and 17.5% for the two years ended 31 December 2015 and 2016, respectively. Furthermore, there is no assurance that we will be able to renew existing contracts and obtain new contracts by submitting competitive tender without affecting our profitability. We endeavoured to obtain more new contracts and enhance our success rate of tendering while maintaining our profitability and we will study information, such as historical costs of similar contracts, prevailing market price of similar contracts, prevailing wages and material costs as well as relationship, reputation and background of the customers, to ensure competitive proposals are delivered for tendering purpose.

Direct labour costs

Our core businesses are labour intensive services which require a sizeable work force. During the Track Record Period, staff costs contributed a significant portion of our cost of services. For the two years ended 31 December 2015 and 2016, our direct labour costs amounted to approximately HK\$281.9 million and HK\$309.9 million, respectively, representing approximately 85.7% and 85.2% of our total cost of services during the respective periods. We expect that our direct labour costs will continue to account for a significant percentage of our total cost of services.

During the year ended 31 December 2016, our direct labour costs increased by approximately 9.9% compared to that for the year ended 31 December 2015. Besides the

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full year effect of the increase of statutory minimum wage implemented since May 2015, the increase was mainly attributable to the commencement of our cleaning service contracts in Wanchai East, Wanchai West and Wong Tai Sin Districts during the year ended 31 December 2016 and the full year effect of our cleaning service contract in Southern District commenced in November 2015, but partially offset by the expiry of our cleaning service contracts in Sai Kung, Mongkok and Taipo Districts during the year ended 31 December 2016.

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides that the statutory minimum wage in Hong Kong is reviewed at least once every two years. The statutory minimum wage was raised to HK\$34.5 per hour with effective from 1 May 2017. We will take into account the increase in statutory minimum wage when we prepare our budgets in tendering.

For the two years ended 31 December 2015 and 2016, our profit before tax amounted to approximately HK\$18.1 million and HK\$12.5 million, respectively. The following illustrates the sensitivity of our profit before tax for the two years ended 31 December 2015 and 2016 in relation to fluctuation in our direct labour costs of the respective periods:

Changes in direct labour costs	For the year ended 31 December			
	2015	Change	2016	Change
	Profit	in profit	Profit	in profit
	before tax	before tax	before tax	before tax
	HK\$'000	%	HK\$'000	%
Increase/(Decrease)				
20%	(38,245)	(310.8)	(49,527)	(497.8)
10%	(10,051)	(155.4)	(18,538)	(248.9)
0%	18,144	–	12,452	–
(10%)	46,339	155.4	43,441	248.9
(20%)	74,533	310.8	74,430	497.8

There is no assurance that our Group will be able to adequately increase our service fees so as to pass any increase in direct labour costs to our customers, thus our Group's business operations, financial results and profitability may thereby be materially and adversely affected.

Time lags of cash flow

In respect of our Group's business, there are often time lags between making payments to our Group's employees and receiving payments from our customers. Our Group pays salaries to the full-time employees within seven days after the end of each month and our part-time employees within seven days after the completion of their work. On the other hand, we generally grant a credit term ranging from 60 days to 90 days for our customers depending on their creditworthiness. For our contracts with the HK Government, they may require additional supporting documents and administrative procedures before payment and thus the credit period is not always specified in the tender

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contracts. During the Track Record Period, we did not experience any material difficulty in collecting payment from our customers and payments from our customers are made on a regular basis. However, there is no assurance that our customers will make payment on time and in full. During the Track Record Period, our Group's trade receivables turnover days were approximately 81.3 days and 71.6 days, respectively, details of which are discussed in the paragraphs headed "Discussion on major items of the combined statements of financial position — Trade receivables" in this section. If our Group fails to properly manage our exposure from such cash flow mismatch or if our Group experiences difficulty in collecting any substantial portion of our trade receivables, our Group's cash flows and financial position will be materially and adversely affected.

Insurance expenses in relation to employee compensation and public liabilities and litigation claims

For the two years ended 31 December 2015 and 2016, our insurance expenses in relation to employee compensation and public liabilities of our Group were approximately HK\$2.4 million and HK\$3.3 million, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group had settled 15 litigation claims with an aggregate settlement amount of approximately HK\$3.0 million out of which approximately HK\$0.4 million was borne by our Group pursuant to the insurance policy. There is no assurance that the insurance policies will cover our Group against future events and if our Group has to pay additional compensation out of our own resources for any uninsured claims, financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of cases, our Group may need to spend resources and incur costs to handle these claims, and these claims may also affect reputation of our Group in the environmental hygiene service industry, therefore adversely affect our Group's business operations, financial results and profitability.

Industry competition

According to Frost & Sullivan, there is a large number of competitors in the environmental hygiene service industry in Hong Kong. Due to the number of competitors, there is high level of competition between environmental hygiene service providers. Based on the competition in the industry, there is no assurance that our customers will continue to engage us upon the expiration of our existing contracts. Furthermore, in order to compete effectively, our Group may have to offer lower prices and/or better terms than our competitors and if our Group is unable to reduce our costs accordingly, our Group's financial results and profitability will be adversely affected.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law on 12 August 2016. The address of our Company's registered office and the principal place of business is disclosed in the section headed "Corporate information" in this prospectus.

The financial information has been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting Under

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Common Control Combination” issued by Hong Kong Institute of Certified Public Accountants. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Periods include the results, changes in equity and cash flows of the companies now comprising our Group as if our current group structure had been in existence throughout the Track Record Period, or since the respective date of incorporation, which is a shorter period.

The combined statements of financial position of our Group as at 31 December 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if our current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in note 3 in section “Significant accounting policies” to the Accountants’ Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates and complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on historical experience and other relevant factors that may change in future periods. Our Directors confirm that, we have not experienced any material deviation between our management’s estimates and actual results during the Track Record Period.

Our management does not expect any changes in our accounting policies. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our Group’s financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes “3. Significant accounting policies” and “4. Key sources of estimation uncertainty” to our combined financial statements included in Appendix I to this prospectus.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured

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reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on assets other than financial assets

At the end of each reporting period, our Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a Controlling Shareholder, pledged bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying

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amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

RESULTS OF OPERATIONS

The following table set forth our combined statements of profit or loss and other comprehensive income and other financial information for the periods indicated, as derived from the Accountants' Report in Appendix I to this prospectus.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	363,467	404,124
Cost of services	<u>(328,894)</u>	<u>(363,930)</u>
Gross profit	34,573	40,194
Other income	369	645
Other gains and losses	(530)	(285)
Administrative expenses	(12,737)	(17,667)
Listing expenses	–	(6,880)
Finance costs	<u>(3,531)</u>	<u>(3,555)</u>
Profit before taxation	18,144	12,452
Income tax expense	<u>(3,056)</u>	<u>(3,663)</u>
Profit and total comprehensive income for the year attributable to the owners of the Company	<u><u>15,088</u></u>	<u><u>8,789</u></u>

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PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We derived our revenue during the Track Record Period from provision of the following services, namely, (a) cleaning services; (b) pest management services, (c) waste management and recycling services, and (d) landscaping services. Our total revenue amounted to approximately HK\$363.5 million and HK\$404.1 million for the two years ended 31 December 2015 and 2016, respectively.

The following table sets forth our revenue by business segments during the Track Record Period:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Cleaning services				
– Street cleaning services ^(Note 1)	239,030	65.8	259,894	64.3
– Cultural, leisure and recreational premises cleaning services	44,461	12.2	59,237	14.6
– Residential premises cleaning services	15,464	4.2	16,131	4.0
– Other cleaning services ^(Note 2)	6,444	1.8	8,720	2.2
Subtotal	305,399	84.0	343,982	85.1
Pest management services	43,346	11.9	31,552	7.8
Waste management and recycling services	14,722	4.1	27,870	6.9
Landscaping services	–	–	720	0.2
Total	363,467	100.0	404,124	100.0

Notes:

1. Street cleaning services include cleaning services for streets and markets.
2. Other cleaning services include cleaning services for commercial buildings and academic institutions, etc.

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During the Track Record Period, the largest component of our revenue was cleaning services, representing approximately 84.0% and 85.1% of our total revenue for the two years ended 31 December 2015 and 2016, respectively.

The following table sets forth our revenue by customer type during the Track Record Period:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Public sector ¹	341,685	94.0	382,400	94.6
Private sector ²	21,782	6.0	21,724	5.4
Total	363,467	100.0	404,124	100.0

Notes:

1. Public sector refers to departments of the HK Government.
2. Private sector refers to all companies and corporate bodies other than departments of the HK Government, such as statutory organisations, universities and companies receiving substantial funding from the HK Government.

We generated majority of our revenue from customers of the public sector during the Track Record Period. For the two years ended 31 December 2015 and 2016, approximately 94.0% and 94.6% of our revenue were generated from our customers from the public sector, respectively.

For the two years ended 31 December 2015 and 2016, approximately 99.0% and 99.2% of our revenue were generated through tendering, respectively. We may also receive requests for quotations from previous customers, existing customers and other third parties from different industries. Further details on the tendering are set forth in the section headed "Business" in this prospectus.

Our Directors confirm that during the Track Record Period, no contracts has been terminated by our customers before their expiry dates.

Cost of services

Our cost of services mainly consists of direct labour costs, vehicle expenses, consumables, and direct overheads. Our total cost of services amounted to approximately HK\$328.9 million and HK\$363.9 million for the two years ended 31 December 2015 and 2016, respectively.

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The table below sets forth a breakdown of our cost of services by type for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct labour costs ^(Note)	281,945	85.7	309,892	85.2
Vehicle expenses	34,382	10.5	37,665	10.3
Consumables	8,229	2.5	10,230	2.8
Direct overheads	4,338	1.3	6,143	1.7
Total	<u>328,894</u>	<u>100.0</u>	<u>363,930</u>	<u>100.0</u>

Note: Direct labour costs comprise the salaries and welfares of our frontline workers.

During the Track Record Period, the largest component of our cost of services was direct labour costs, which mainly included salaries, contributions to retirement schemes and provisions for long service payment of our frontline workers, representing approximately 85.7% and 85.2% of our total cost of services for the two years ended 31 December 2015 and 2016, respectively.

Vehicle expenses primarily consist of fuel costs, depreciation of vehicles, vehicles insurance, vehicle licence and tunnel fees, vehicle rental costs and repair and maintenance costs, representing 10.5% and 10.3% of the our total cost of services for the two years ended 31 December 2015 and 2016, respectively.

Consumables primarily consist of, among others, garbage bags, toilet papers, detergents and chemicals, representing approximately 2.5% and 2.8% of our total cost of services for the two years ended 31 December 2015 and 2016, respectively.

Direct overheads primarily consist of insurance expenses in relation to employee compensation of our frontline workers and public liabilities, and other operating costs, representing approximately 1.3% and 1.7% of our total cost of services for the two years ended 31 December 2015 and 2016, respectively.

The table below sets forth a breakdown of our cost of services by (i) direct service cost and (ii) subcontracting cost:

	For the year ended 31 December			
	2015		2016	
	<i>HK'000</i>	%	<i>HK'000</i>	%
Direct service cost	327,102	99.5	363,125	99.8
Subcontracting cost	1,792	0.5	805	0.2
Total	<u>328,894</u>	<u>100.0</u>	<u>363,930</u>	<u>100.0</u>

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Direct service cost consists of cost of services excluding our subcontracting cost. It accounted for approximately 99.5% and 99.8% of our total cost of services for the two years ended 31 December 2015 and 2016, respectively.

During the Track Record Period, there were two subcontractors which were engaged in our cleaning services and waste management and recycling services. For the two years ended 31 December 2015 and 2016, our total subcontracting cost accounted for approximately 0.5% and 0.2% of our total cost of services, respectively.

We engaged only two subcontractors during the Track Record Period for the provision of cleaning services and waste management and recycling services. Our Directors confirm that we engaged our subcontractors during the Track Record Period to optimise our human resources allocation. We had not entered into any legally binding long-term agreement with our subcontractors and our engagement of our subcontractors during the Track Record Period was based on a case-by-case basis. Subsequent to the Track Record Period and as at the Latest Practicable Date, we had not engaged any subcontractor.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin, which is equivalent to segment results and segment results margin, by business segment and the percentage of total gross profit by business segment for the periods indicated:

	For the year ended 31 December					
	2015			2016		
	<i>Gross profit</i> HK\$'000	<i>% to total</i>	<i>Gross margin</i> %	<i>Gross profit</i> HK\$'000	<i>% to total</i>	<i>Gross margin</i> %
Cleaning services	28,294	81.8	9.3	31,555	78.5	9.2
Pest management services	1,526	4.4	3.5	3,365	8.4	10.7
Waste management and recycling services	4,753	13.8	32.3	5,256	13.0	18.8
Landscaping services	-	-	-	18	0.1	2.5
Total	34,573	100.0	9.5	40,194	100.0	9.9

Cleaning services

Our gross profit margins of cleaning services were approximately 9.3% and 9.2% during the two years ended 31 December 2016, respectively.

Pest management services

Our gross profit margins of pest management services were approximately 3.5% and 10.7% for the two years ended 31 December 2016, respectively. The improvement in the

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gross profit margin was mainly due to the decrease in the vehicle expenses of the pest management projects but partially offset by the increase in depreciation of the newly purchased vehicles. The vehicle expenses accounted for approximately 18.4% of the segment revenue for the year ended 31 December 2015 and then reduced to approximately 11.9% of the segment revenue for the year ended 31 December 2016, resulting from less reliance on the vehicle rental services, whereas the petrol and salaries of drivers were borne by our Group for both rented vehicles and self-owned vehicles. The Group purchased additional vans to perform the pest management services and reduced renting vehicles from independent providers. Our self-owned vehicles are depreciated over a period of five years. Although the newly purchased vehicles incurred additional depreciation, the monthly depreciation of one self-owned vehicle is approximately to 19% of the monthly rental of vehicle. Therefore, our less reliance on rental vehicles led to the increase in the respective gross profit margin.

Waste management and recycling services

Our gross profit margins of waste management and recycling services were approximately 32.3% and 18.8% for the two years ended 31 December 2015 and 2016, respectively, mainly attributable to an increase of approximately 89.3% in revenue of this for the year ended 31 December 2016 while the cost of services of this segment for the same period increased by approximately 126.8%. This was mainly due to an increase of revenue contribution from two waste collection projects, which commenced in May and July 2016. The higher cost of services was mainly due to the substantial increase in motor vehicle running expenses and transportation expenses in relation to the two new waste collection projects which heavily relied on motor vehicles, being mobile refuse compactors, in collecting wastes.

Landscaping services

We have started to provide landscaping services since March 2016 and our gross profit margin was approximately 2.5% for the year ended 31 December 2016.

Other income

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	180	210
Interest income from deposits in life insurance policies	176	248
Sundry income	13	187
	369	645
	369	645

During the Track Record Period, other income mainly represents bank interest income and interest income from deposits in our life insurance policies which are our key persons insurances for Mr. Lam and Ms. Wong. For the two years ended 31 December 2015 and 2016, other income were approximately HK\$0.4 million and HK\$0.7 million, respectively.

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Other gains and losses

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal/written off of plant and equipment, net	19	286
Net foreign exchange loss	(549)	(571)
	(530)	(285)
	(530)	(285)

During the Track Record Period, other gains and losses mainly represent gains on disposal of plant and equipment and net foreign exchange losses.

Administrative expenses

The following table sets forth the breakdown of administrative expenses for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Salaries and welfares ^(Note)	6,423	50.4	9,615	54.4
Legal and professional fee	567	4.5	2,097	11.9
Office expenses	2,647	20.8	2,914	16.5
Rent and rate	1,813	14.2	1,885	10.7
Depreciation	677	5.3	919	5.2
Advertising and promotion	532	4.2	236	1.3
Others	78	0.6	1	0.0
	12,737	100.0	17,667	100.0
Total	12,737	100.0	17,667	100.0

Note: These payments relate to our office-based employees.

Our administrative expenses primarily include salaries and welfares for office-based employees, legal and professional fees, office expenses and rent and rate. For the two years ended 31 December 2015 and 2016, our administrative expenses were approximately HK\$12.7 million and HK\$17.7 million, representing approximately 3.5% and 4.4% of our revenue for those periods, respectively.

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Finance costs

The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the year ended	
	31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:		
Bank borrowings	2,516	2,316
Obligations under finance leases	1,015	1,239
Total	3,531	3,555

Our finance costs represent interests on bank borrowings and obligations under finance leases for vehicles. For the two years ended 31 December 2015 and 2016, our finance costs were approximately HK\$3.5 million and HK\$3.6 million, representing approximately 1.0% and 0.9% of our revenue for those periods, respectively.

Income tax expenses

Our income tax expenses represent corporate income tax expenses and deferred tax expenses. During the two years ended 31 December 2016, our effective income tax rates were approximately 16.8% and 29.4%, respectively. Excluding the non-deductible Listing expenses, the effective tax rate for the year ended 31 December 2016 is approximately 18.9%. Our Group's profits were all derived from Hong Kong during the Track Record Period and our profits tax had been calculated at a 16.5% of the estimated assessable profit.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue was approximately HK\$404.1 million for the year ended 31 December 2016, which represented an increase of approximately HK\$40.7 million or 11.2% from HK\$363.5 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in our revenue from the public sector by approximately HK\$40.7 million or 11.9%.

Revenue from cleaning services

Our revenue from cleaning services increased by approximately HK\$38.6 million or 12.6% from approximately HK\$305.4 million for the year ended 31 December 2015 to

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approximately HK\$344.0 million for the year ended 31 December 2016. The increase was primarily attributable to the commencement of our cleaning service contracts in Wanchai East, Wanchai West and Wong Tai Sin Districts during the year ended 31 December 2016 and the full year effect of our cleaning service contract in Southern District commenced in November 2015, which was partially offset by the expiry of cleaning service contracts in Sai Kung, Mongkok and Taipo Districts during the year ended 31 December 2016.

Revenue from pest management services

Our revenue from pest management services decreased by approximately HK\$11.8 million or 27.2% from approximately HK\$43.3 million for the year ended 31 December 2015 to approximately HK\$31.6 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in the number of our pest management services contracts from six during the year ended 31 December 2015 to three during the year ended 31 December 2016.

Revenue from waste management and recycling services

Our revenue from waste management and recycling services increased by approximately HK\$13.1 million or 89.3% from approximately HK\$14.7 million for the year ended 31 December 2015 to approximately HK\$27.9 million for the year ended 31 December 2016. The increase was primarily attributable to the commencement of two new contracts in Sai Kung and Northern Kwun Tong Districts during the year ended 31 December 2016.

Revenue from landscaping services

We started to provide landscaping services since March 2016. Our revenue derived from landscaping services amounted to approximately HK\$0.7 million for the year ended 31 December 2016.

Cost of services

Our cost of services was approximately HK\$363.9 million for the year ended 31 December 2016, which represented an increase of approximately HK\$35.0 million or approximately 10.7%, from approximately HK\$328.9 million for the year ended 31 December 2015. The increase in cost of services was mainly attributable to an increase in direct labour costs, which were in line with the increase in our revenue. The increase in labour cost was due to the commencement of three new cleaning service contracts during the year ended 31 December 2016 and the full year effect of our cleaning service contract commenced in November 2015, which was partially offset by the expiry of our three major street cleaning service contracts during the year ended 31 December 2016.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$5.6 million or 16.3% from approximately HK\$34.6 million for the year ended 31 December 2015 to approximately HK\$40.2 million for the year ended 31 December 2016.

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Our gross profit margin remained stable at 9.5% and 9.9% for the years ended 31 December 2015 and 2016, respectively.

Other income

Our other income increased by approximately HK\$276,000 or 74.8% from approximately HK\$369,000 for the year ended 31 December 2015 to approximately HK\$645,000 for the year ended 31 December 2016, due to the increase in interest income from deposits in the life insurance policies by approximately HK\$72,000 and an increase of sundry income by approximately HK\$174,000.

Other gains and losses

Our Group recorded other losses of approximately HK\$530,000 and HK\$285,000 for the two years ended 31 December 2015 and 2016, respectively. The decrease in the other losses for the year ended 31 December 2016 was mainly attributed to the increase in net foreign exchange losses arisen from the pledged RMB short-term bank deposits which was partially offset by the gain on disposal of plant and equipment during the year ended 31 December 2016.

Administrative expenses

Our administrative expenses were approximately HK\$17.7 million for the year ended 31 December 2016, which represented an increase of approximately HK\$4.9 million or 38.7% from HK\$12.7 million for the year ended 31 December 2015. The increase was primarily attributable to (i) the increase of salaries and welfares by approximately HK\$3.2 million due to an increase in the headcount of our office-based employees from 27 to 39 as at 31 December 2015 and 31 December 2016 respectively; and (ii) the increase of legal and professional fee from approximately HK\$0.6 million for the year ended 31 December 2015 to HK\$2.1 million for the year ended 31 December 2016 mainly due to our engagement of a tax representative and a new auditor.

Listing expenses

Listing expenses in relation to the Share Offer of approximately HK\$6.9 million was charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 December 2016.

Finance costs

Our finance costs were approximately HK\$3.6 million for the year ended 31 December 2016, which represented an increase of approximately HK\$24,000 or 0.7% from HK\$3.5 million for the year ended 31 December 2015. The increase was primarily attributable to the increase in interest expenses of finance leases from approximately HK\$1.0 million for the year ended 31 December 2015 to approximately HK\$1.2 million for the year ended 31 December 2016 and partially offset by the reduction in interest expenses of bank borrowings by approximately HK\$0.2 million.

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Income tax expense

Our income tax was approximately HK\$3.7 million for the year ended 31 December 2016, which represented an increase of approximately HK\$0.6 million or 19.9% from HK\$3.1 million for the year ended 31 December 2015. The increase was primarily due to the tax effect of Listing expenses incurred for the year ended 31 December 2016 which was not deductible for tax purpose.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income for the period decreased by approximately HK\$6.3 million or 41.7%, from approximately HK\$15.1 million for the year ended 31 December 2015 to approximately HK\$8.8 million for the year ended 31 December 2016.

DISCUSSION ON MAJOR ITEMS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Statement of financial position

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Plant and equipment	33,038	44,843
Deposits and prepayments	5,382	8,901
Deposits for acquisition of plant and equipment	2,317	–
	40,737	53,744
Current assets		
Trade receivables	85,997	72,545
Other receivables, deposits and prepayments	3,356	9,461
Amount due from a controlling shareholder	8,618	2,361
Pledged bank balances	9,280	9,080
Bank balances and cash	15,386	4,624
	122,637	98,071
Current liabilities		
Trade payables	3,871	3,148
Other payables and accrued charges	25,635	24,027
Provisions	4,725	3,456
Tax payable	2,833	1,826
Amount due to a related party	80	11
Bank borrowings	70,334	48,783
Obligations under finance leases	10,370	11,258
	117,848	92,509

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	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	4,789	5,562
Total assets less current liabilities	45,526	59,306
Non-current liabilities		
Provisions	1,768	1,748
Deferred tax liabilities	2,861	3,590
Obligations under finance leases	14,623	18,905
	19,252	24,243
Net assets	26,274	35,063
Capital and reserves		
Issued share capital	10,200	8
Reserves	16,074	35,055
Equity attributable to owners of our Company	26,274	35,063

Plant and equipment

The following table sets out the respective carrying values of our plant and equipment as at the respective dates as indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements	358	248
Office equipment	499	391
Site equipment	2,221	2,165
Motor Vehicles	29,960	42,039
Total	33,038	44,843

As shown in the table above, our Group's plant and equipment consist mainly of motor vehicles used in various projects. Motor vehicles include tipper lorries, street washing vehicles, grab lorries, mechanical street sweeping vehicles, van and private cars.

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The carrying amount of motor vehicles increased from approximately HK\$30.0 million as at 31 December 2015 to approximately HK\$42.0 million as at 31 December 2016 resulting from the purchase of 35 new motor vehicles with a total purchase cost of approximately HK\$24.9 million during the year ended 31 December 2016. For further details of the motor vehicles for our Group's operations, please refer to the paragraphs headed "Business — Major Assets and Equipment — Vehicles" in this prospectus.

Trade receivables

Our trade receivables mainly represented the outstanding amounts receivable from our customers.

The following table sets forth our trade receivables as at the date indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>85,997</u>	<u>72,545</u>

As at 31 December 2016, our trade receivables was approximately HK\$72.5 million, representing a decrease of approximately HK\$13.5 million or 15.6%, from HK\$86.0 million as at 31 December 2015. The decrease was primarily attributable to the completion of our three cleaning service contracts from the public sector in the second half of 2016.

As at 30 April 2017, approximately HK\$72.0 million or 99.3% of our trade receivables as at 31 December 2016 was subsequently settled.

Ageing analysis of trade receivables

The following table sets forth an ageing analysis of our trade receivables based on the invoice date, which approximated the respective dates on which revenue was recognised.

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	31,143	27,412
31-60 days	29,832	25,674
61-90 days	20,247	10,122
Over 90 days	<u>4,775</u>	<u>9,337</u>
	<u>85,997</u>	<u>72,545</u>

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We generally grant a credit term ranging from 60 days to 90 days for our customers depending on their creditworthiness. In relation to customers from the public sector, they require additional supporting documents and to go through administrative procedures before settling our invoices. Therefore, credit period is generally not specified in these contracts. As at 31 December 2015 and 31 December 2016, our trade receivables due from top two customers from public sector amounted to approximately HK\$80.1 million and HK\$65.4 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in collecting payment from such customers.

As at 31 December 2015 and 31 December 2016, no allowance for doubtful debts was granted. Our trade receivables aged more than 90 days had been past due and our Group has not provided for impairment loss as there has not been any significant change in credit quality of these customers. No impairment loss on trade receivables was recognised during the Track Record Period.

The following table sets forth our trade receivables turnover days for the periods indicated.

	As at 31 December	
	2015	2016
Average trade receivables ¹ (HK\$'000)	80,985	79,271
Trade receivables turnover days ²	<u>81.3</u>	<u>71.6</u>

Note:

1. Average trade receivables are the trade receivables at the beginning of the year plus the trade receivables at the end of the year, divided by two.
2. Trade receivables turnover days for the two years ended 31 December 2015 and 2016 were calculated by dividing average of opening and closing balances of trade receivables for the relevant periods by our revenue for the relevant periods and multiplying the quotient by 365 days.

Trade receivables turnover days decreased from approximately 81.3 days for the year ended 31 December 2015 to approximately 71.6 days for the year ended 31 December 2016, primarily due to a comparatively lower revenue recorded during the fourth quarter of 2016, as compared to the fourth quarter of 2015.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments primarily consisted of payments for life insurance policies and prepayments. Our other receivables, deposits and prepayments amounted to approximately HK\$8.7 million and HK\$18.4 million as at 31 December 2015

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and 31 December 2016, respectively. The following table sets forth a breakdown of other receivables, deposits and prepayments as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and utilities deposits	473	594
Deposits paid to suppliers	560	731
Payments for life insurance policies (<i>Note</i>)	4,395	7,685
Other receivables	277	4,065
Prepayments	3,033	3,575
Deferred and prepaid Listing expenses	–	1,712
	8,738	18,362
Total	8,738	18,362
Presented as non-current assets	5,382	8,901
Presented as current assets	3,356	9,461
	8,738	18,362
Total	8,738	18,362

Note: Refer to key persons insurances for Mr. Lam and Ms. Wong.

The increase in our other receivables, deposits and prepayments from approximately HK\$8.7 million as at 31 December 2015 to approximately HK\$18.4 million as at 31 December 2016 was primarily attributable to the increase in our deferred and prepaid one-off Listing expenses, payments for life insurance policies and other receivables.

Pledged bank balances

Our pledged bank balances amounted to approximately HK\$9.3 million and HK\$9.1 million as at 31 December 2015 and 31 December 2016, respectively as to secure our banking facilities (including our bank borrowings and performance guarantee) granted to our Group.

Trade payables

Our trade payables primarily relate to payables due to our third party service providers and suppliers. The credit period is 30 to 60 days. The following table sets forth the balance of our trade payables for the periods indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,871	3,148
	3,871	3,148
Total	3,871	3,148

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Our trade payables decreased by approximately HK\$0.7 million or 18.7%, from HK\$3.9 million as at 31 December 2015 to approximately HK\$3.1 million as at 31 December 2016, primarily due to the early settlement to some of our largest suppliers during the Track Record Period.

As at 30 April 2017, approximately HK\$3.1 million or 100.0% of our trade payables outstanding as at 31 December 2016 were paid.

Ageing analysis of trade payables

The following table sets forth an aging analysis of our trade payables as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	1,491	1,340
31-60 days	1,263	1,029
61-90 days	583	234
Over 90 days	534	545
	<u>3,871</u>	<u>3,148</u>

The following table sets forth our trade payables turnover days for the periods indicated.

	As at 31 December	
	2015	2016
Trade payables turnover days ¹	<u>35.2</u>	<u>23.7</u>

Note:

- Trade payables turnover days for the two years ended 31 December 2015 and 2016 have been calculated by dividing average of opening and closing balances of trade payables for the relevant period by the cost of services (excluding direct labour costs) for the relevant periods and multiplying the quotient by 365 days.

Trade payables turnover days decreased from approximately 35.2 days for the year ended 31 December 2015 to approximately 23.7 days for the year ended 31 December 2016. The decrease was mainly attributable to the early settlement with our suppliers during the year.

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Other payables and accrued charges

The other payables and accrued charges mainly consist of salaries payables. Our other payables and accrued charges amounted to approximately HK\$25.6 million and HK\$24.0 million as at 31 December 2015 and 31 December 2016, respectively. The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries payables	23,953	20,356
Other payables and accrued charges	1,682	3,671
	25,635	24,027

As at 31 December 2016, our other payables and accrued charges was HK\$24.0 million, representing a decrease of approximately HK\$1.6 million or 6.3% from approximately HK\$25.6 million as at 31 December 2015. The decrease was mainly attributable to the reduction in headcount from 2,631 as at 31 December 2015 to 2,263 as at 31 December 2016. The reduction in headcount led to lower salaries for December 2016 as compared to December 2015. Our other payables and accrued charges was approximately HK\$3.7 million as at 31 December 2016, representing an increase of approximately HK\$2.0 million from 31 December 2015. The increase was due to an accrual of approximately HK\$2.8 million of our Listing expenses.

Provisions

In view of the labour intensive nature of our business and the significant fluctuation of the human resources needed from time to time as projects commence and expire, we employ our frontline workers on a project basis with fixed contractual terms to cater for the durations and workload of different projects. As such, we dismiss the respective frontline workers when the term of a project expires. Under the Employment Ordinance, any employee under a continuous contract for not less than two years is eligible for severance payment if he is dismissed by reason of redundancy or is laid-off. As such, all frontlineworkers of a project with contractual terms of two years or more are entitled to

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such severance payment when they are dismissed when the term of the respective project expires. Our provisions mainly include the provision of the probable future redundancy cost expected to be made to employees under the Employment Ordinance, which will be decreased accordingly when such probable future redundancy cost are paid. The following table sets forth a breakdown of our provisions as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Presented as non-current liabilities	1,768	1,748
Presented as current liabilities	4,725	3,456
	6,493	5,204

Our provision amounted to HK\$5.2 million as at 31 December 2016, representing a decrease of approximately HK\$1.3 million or 19.9% from HK\$6.5 million as at 31 December 2015. The decrease was mainly attributable to the settlement of redundancy cost in relation to the expiry of our three street cleaning service contracts during the year, which involved approximately 741 employees as at 31 December 2015.

Amount due from/to a Controlling Shareholder

As at 31 December 2015 and 31 December 2016, the amount due from a Controlling Shareholder, Mr. Lam, amounted to approximately HK\$8.6 million and HK\$2.4 million, respectively. The amount is non-trade nature, unsecured, interest-free and repayable on demand.

As at 30 April 2017, our Group recorded an amount due to Mr. Lam of approximately HK\$4.1 million as Mr. Lam took up a bank loan on behalf of the Company. The amount due to Mr. Lam will be fully settled prior to the Listing.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The following table sets forth a summary of net cash flows as at and for the periods indicated:

	Year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	21,851	1,604
Net cash flows (used in)/from investing activities	(30,225)	1,305
Net cash flows from/(used in) financing activities	3,356	(13,671)
Net decrease in cash and cash equivalents	(5,018)	(10,762)
Cash and cash equivalents at the beginning of the year	20,404	15,386
Cash and cash equivalents at the end of the year	15,386	4,624

Operating activities

Year ended 31 December 2016

Net cash inflows from operating activities amounted to approximately HK\$1.6 million for the year ended 31 December 2016, consisting primarily of approximately HK\$29.0 million of cash generated from operation before change in working capital, the net decrease in working capital of approximately HK\$23.4 million and the tax payment of approximately HK\$3.9 million. The net decrease in working capital primarily consisted of the combined effect of (i) the decrease in trade receivables of approximately HK\$13.5 million, mainly due to the completion of three cleaning service contracts from the public sector in the second half of 2016; and (ii) the decrease of factoring trade receivables with recourse of approximately HK\$23.8 million because of sufficient internal fund.

Year ended 31 December 2015

Net cash inflows from operating activities amounted to approximately HK\$21.9 million for the year ended 31 December 2015, consisting primarily of approximately HK\$30.9 million of cash generated from operation before change in working capital, the net decrease in working capital of approximately HK\$8.3 million and the tax payment of approximately HK\$0.7 million. The net decrease in working capital primarily consisted of the combined effect of (i) the increase in trade receivables of approximately HK\$10.0 million primarily attributable to the award of 14 new service contracts from the public

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sector during the year ended 31 December 2015; and (ii) the decrease of factoring trade receivables with recourse of approximately HK\$1.8 million mainly because of our lesser reliance on our factoring loans.

The explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraphs headed “Discussion on major items of the combined statements of financial position” in this section.

Investing activities

Year ended 31 December 2016

For the year ended 31 December 2016, we recorded net cash inflows from investing activities of approximately HK\$1.3 million, as a result of repayment from a Controlling Shareholder of approximately HK\$10.8 million, which was partially offset by (i) purchases of plant and equipment of approximately HK\$5.8 million; and (ii) an advance to a Controlling Shareholder of approximately HK\$4.5 million.

Year ended 31 December 2015

For the year ended 31 December 2015, we had net cash used in investing activities of approximately HK\$30.2 million. The net cash used in investing activities was mainly attributable to (i) deposits paid for acquisition of plant and equipment of approximately HK\$2.3 million; and (ii) an advance to a Controlling Shareholder of approximately HK\$27.4 million.

Financing activities

Year ended 31 December 2016

For the year ended 31 December 2016, our net cash used in financing activities was approximately HK\$13.7 million. The net cash used in financing activities were mainly attributable to (i) repayment of obligations under finance leases of approximately HK\$12.4 million; and (ii) repayment of bank borrowings of approximately HK\$29.4 million, which were partially offset by proceeds from new bank borrowings of approximately HK\$31.6 million.

Year ended 31 December 2015

For the year ended 31 December 2015, our net cash from financing activities was approximately HK\$3.4 million. The net cash flows from financing activities were mainly attributable to (i) new bank borrowings raised of approximately HK\$15.3 million; and (ii) proceed from issuance of shares of approximately HK\$4.6 million, which were partially offset by (i) repayment of obligations under finance leases of approximately HK\$9.7 million; (ii) repayment of bank borrowings of approximately HK\$3.3 million; and (iii) interest paid of approximately HK\$3.5 million.

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NET CURRENT ASSETS AND NET CURRENT LIABILITIES

The following table sets out our current assets and liabilities as at the date indicated:

	As at 31 December		As at
	2015	2016	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
Current assets			
Trade receivables	85,997	72,545	62,780
Other receivables, deposits and prepayments	3,356	9,461	10,658
Amount due from a controlling shareholder	8,618	2,361	–
Pledged bank balances	9,280	9,080	9,080
Bank balances and cash	<u>15,386</u>	<u>4,624</u>	<u>11,535</u>
Total current assets	<u>122,637</u>	<u>98,071</u>	<u>94,053</u>
Current liabilities			
Trade payables	3,871	3,148	3,999
Other payables and accrued charges	25,635	24,027	26,820
Provisions	4,725	3,456	3,456
Tax payable	2,833	1,826	1,928
Amount due to a controlling shareholder	–	–	4,141
Amount due to a related party	80	11	2
Bank borrowings	70,334	48,783	36,837
Obligations under finance leases	<u>10,370</u>	<u>11,258</u>	<u>16,191</u>
Total current liabilities	<u>117,848</u>	<u>92,509</u>	<u>93,374</u>
Net current assets	<u><u>4,789</u></u>	<u><u>5,562</u></u>	<u><u>679</u></u>

We had net current assets of approximately HK\$4.8 million, HK\$5.6 million and HK\$0.7 million as at 31 December 2015, 31 December 2016 and 30 April 2017, respectively.

Our net current assets increased from approximately HK\$4.8 million as at 31 December 2015 to approximately HK\$5.6 million as at 31 December 2016. The increase was primarily attributable to the decrease in current liabilities by approximately HK\$25.3 million and partially offset by the decrease in current assets by approximately HK\$24.6 million. The explanations of fluctuation of the major items of current assets and current liabilities are set out in the paragraphs headed “Discussion on major items of the combined statements of financial position” in this section.

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INDEBTEDNESS

Bank borrowings

The following table sets forth our interest-bearing bank borrowings as at the dates indicated:

	As at 31 December		As at 30
	2015	2016	April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
Secured and guaranteed bank overdrafts	1,895	3,950	4,541
Secured and guaranteed bank borrowings:			
Term loans	13,991	11,970	10,314
Loans from factoring of trade receivables with full recourse	54,448	30,640	19,927
Secured and unguaranteed borrowings	<u>–</u>	<u>2,223</u>	<u>2,055</u>
	<u>70,334</u>	<u>48,783</u>	<u>36,837</u>
Carrying amounts repayable ^(Note) :			
Within one year	58,366	37,156	30,529
More than one year, but not exceeding two years	2,083	2,519	2,145
More than two years, but not more than five years	4,981	4,764	3,272
More than five years	<u>4,904</u>	<u>4,344</u>	<u>891</u>
	70,334	48,783	36,837
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	<u>(70,334)</u>	<u>(48,783)</u>	<u>(36,837)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>	<u>–</u>

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

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As at 31 December 2015, 31 December 2016 and 30 April 2017, we had approximately HK\$68.4 million, HK\$44.8 million and HK\$32.3 million of secured bank borrowings (excluding secured bank overdrafts), respectively. Such loans were primarily used in financing the working capital requirement of our operations. During the Track Record Period, the decrease in loans from factoring of trade receivables with full recourse was mainly due to our lesser reliance in the factoring loans. The amount of term loans remained stable at approximately HK\$14.0 million and HK\$14.2 million as at 31 December 2015 and 31 December 2016, respectively.

We intend to apply HK\$3.2 million of our net proceeds to repay a bank borrowing with an annual interest rate of 2.25% which will be due in April 2020. Such loan was primarily used in financing the working capital requirement of our operations.

As at 30 April 2017, our Group had total banking facilities of approximately HK\$171.2 million, of which approximately HK\$71.0 million was unutilised.

The banking facilities were secured by:

- (i) the pledged bank balances of the Group;
- (ii) life insurance policies of Mr. Lam and/or Ms. Wong;
- (iii) four properties and each property is owned by Ms. Wong, CCE Limited, LES Limited and CCT Limited, respectively;
- (iv) two properties and each property is owned by CCE Limited and Source Mega, respectively;
- (v) project proceeds from certain service contracts of our Group; and
- (vi) the pledge of the Group's trade receivables.

The guaranteed banking facilities were guaranteed by:

- (i) unlimited corporate guarantee provided by certain subsidiaries of our Group and/or Source Mega; and
- (ii) unlimited personal guarantee provided by Mr. Lam and Ms. Wong, both of whom are Group of Controlling Shareholders;

Our Directors consider that the pledge of properties by Ms. Wong and related companies, personal guarantee by the Group of Controlling Shareholders and a corporate guarantee by a related company will be released upon the Listing.

FINANCIAL INFORMATION

The following table sets forth the interest rates applicable to our bank borrowings for the periods indicated:

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest rate per annum:		
Floating-rate borrowings	2.25%–6.25%	2.25%–5.25%

Obligations under finance leases

Certain vehicles of our Group were under finance leases. Our obligations under finance leases were secured by the lessor's charge over the leased assets, corporate guarantee provided by a subsidiary of our Group and/or personal guarantee provided by Mr. Lam or Ms. Wong. Our obligations under finance leases increased during the Track Record Period, amounting to approximately HK\$25.0 million and HK\$30.2 million as at 31 December 2015 and 31 December 2016, respectively. The increase in our obligations under finance leases was mainly attributable to certain vehicles we acquired by using finance leases during the Track Record Period. The lease terms ranged from three to five years for the Track Record Period. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.35% to 3.0% per annum as at 31 December 2015 and 31 December 2016, respectively.

As at 30 April 2017, we had obligations under finance leases of approximately HK\$55.5 million.

Amount due to a Controlling Shareholder

As at 30 April 2017, we had unsecured and unguaranteed amount due to a controlling shareholder of approximately HK\$4.1 million was payable within one year. The amount due to a controlling shareholder will be fully settled prior to the Listing.

Contingent liabilities

As at 31 December 2015, 31 December 2016 and 30 April 2017, performance guarantee of approximately HK\$49.0 million, HK\$50.7 million and HK\$63.3 million, respectively were given by banks in favour of our customers as security for the due performance and observance of our obligations under the contracts entered into between our Group and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. Our Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the service contracts. The performance guarantees were granted under the banking facilities with details as set out in note 22 of the Accountants' Report in Appendix I to this prospectus.

At the end of each reporting period, our Directors do not consider that a claim will be made against our Group.

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Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, we did not have outstanding debt securities, borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at the Latest Practicable Date.

Our Directors confirm that there has been no material change in the contingent liabilities of our Group since 31 December 2016 and up to the Latest Practicable Date.

Material indebtedness change

Our Directors confirm that there has been no material adverse change in our Group's indebtedness since 30 April 2017 and up to the date of this prospectus.

CAPITAL COMMITMENTS

Our Group did not have any capital commitment as at 31 December 2015 and 31 December 2016.

OPERATING LEASE COMMITMENTS

Our Group as lessee

As at 31 December 2015 and 31 December 2016, our Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Within one year	987	1,161
In the second to fifth year inclusive	<u>1,324</u>	<u>496</u>
	<u>2,311</u>	<u>1,657</u>

The above operating lease payments represent rental payable by our Group for office premises for the Track Record Period.

Leases and rentals are negotiated and fixed for a term of two to three years.

In addition, Golden Field Services Limited, a company owned by Mr. Lam, has signed lease agreements on our Group's behalf for premises which are occupied by our Group. The operating lease commitments are not included in the above.

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PLANNED CAPITAL EXPENDITURE

Our planned expenditure in the coming year will include the procurement of equipment and vehicles to enhance our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong as disclosed in the section headed “Future plans and use of proceeds” in this prospectus. Our Directors expect that the planned capital expenditure will be funded by proceeds from the Share Offer.

Our capital expenditure for the years ending 31 December 2017 and 2018 is expected to be amounted to approximately HK\$46.3 million and HK\$8.7 million, respectively.

Save as disclosed and including additional plant and equipment, such as leasehold improvements, office equipment, site equipment and motor vehicles necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditure as at the Latest Practicable Date.

OFF-BALANCE SHEET TRANSACTIONS

Except as disclosed in this prospectus, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development or other services with us.

MARKET RISKS

We are exposed to various types of market risks from its use of financial instruments, mainly including interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

We are exposed to fair value interest rate risk in relation to obligations under finance leases.

We are also exposed to cash flow interest rate risk in relation to the payments for life insurance policies, pledged bank balances and bank balances as well as floating-rate bank borrowings as at 31 December 2015 and 31 December 2016.

We have not used any interest rate swaps to mitigate our exposure associated with interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate arising from our bank borrowings or other market interest rate from pledged bank balances and payments for life insurance policies.

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Currency risk

We have limited currency exposure as both the revenue and direct costs were denominated in the functional currency of the Group. Accordingly, our management considers that our exposure to foreign currency risk is minimal.

As at 31 December 2015 and 31 December 2016, the pledged bank balances of approximately HK\$9.3 million and HK\$9.1 million, respectively, and bank balances of approximately HK\$0.7 million and HK\$0.5 million, respectively, are denominated at RMB. The payments for life insurance policies of approximately HK\$4.4 million and HK\$7.7 million as at 31 December 2015 and 31 December 2016, respectively, are denominated at USD. RMB and USD are the currencies other than the functional currencies of our Group.

Since the exchange rate of HK\$ is pegged with USD, we do not expect any significant movements in the USD/HK\$ exchange rates. Thus, there is no sensitivity analysis on USD denominated financial assets.

The sensitivity analysis includes only the outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. Sensitivity analysis of strengthening 10% in functional currency of the entities comprising our Group (i.e. HK\$) against RMB resulted a decrease in post-tax profit of approximately HK\$0.8 million and HK\$0.8 million during the two years ended 31 December 2016, respectively. For a 10% weakening of HK\$ against RMB there would be an equal and opposite impact on the results.

Credit risk

Our credit risk is primarily attributable to trade receivables, payments for life insurance policies, amount due from a Controlling Shareholder, pledged bank balances and bank balances.

Our maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of the reporting period.

Our customers are mainly government departments/organisations and thus credit risk is considered to be low. Except for the customers of government departments/organisations which our management considers are of good credit quality, our management has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

We have concentration of credit risks with exposure limited to certain customers. Top two customers amounting to approximately HK\$80.1 million and HK\$65.4 million, respectively, comprised approximately 93.2% and 90.2% of our Group's trade receivables as at 31 December 2015 and 31 December 2016, respectively. Our Directors closely monitor

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the subsequent settlement of the customers. In this regard, our Directors consider that our credit risk is significantly reduced.

As at 31 December 2015 and 31 December 2016, we have concentration of credit risk in respect of amount due from a Controlling Shareholder. In order to minimise the credit risk on amount due from a Controlling Shareholder, our management continuously monitors the settlement status of our Controlling Shareholder and the level of exposure to ensure that follow-up action is taken to recover overdue debts, if any. Under such circumstances, our management considers that our credit risk is not material.

The credit risk for payments for life insurance policies, pledged bank balances and bank balances is considered as not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details our remaining contractual maturity for our non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Within 1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<u>As at 31 December 2015</u>						
Non-derivative financial liabilities						
Trade payables	N/A	-	3,871	-	3,871	3,871
Other payables and accrued charges	N/A	243	1,439	-	1,682	1,682
Amount due to a related party	N/A	-	80	-	80	80
Bank borrowings	4.70	70,334	-	-	70,334	70,334
Obligations under finance leases	1.95	-	10,975	15,520	26,495	24,993
		<u>70,577</u>	<u>16,365</u>	<u>15,520</u>	<u>102,462</u>	<u>100,960</u>

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	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Within 1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<i>As at 31 December 2016</i>						
Non-derivative financial liabilities						
Trade payables	N/A	-	3,148	-	3,148	3,148
Other payables and accrued charges	N/A	-	3,671	-	3,671	3,671
Amount due to a related party	N/A	-	11	-	11	11
Bank borrowings	4.38	48,783	-	-	48,783	48,783
Obligations under finance leases	1.92	-	12,164	19,819	31,983	30,163
		<u>48,783</u>	<u>18,994</u>	<u>19,819</u>	<u>87,596</u>	<u>85,776</u>

The amount included above for non-derivative financial liabilities bear variable interest instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2015 and 31 December 2016, the aggregate carrying amount of these bank borrowings (excluding secured bank overdrafts) amounted to approximately HK\$68.4 million and HK\$44.8 million, respectively. Taking into account of our financial position, our management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayments. Our management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, our management reviews the expected cash flow information of our bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	Within 1 year HK\$'000	Within 1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 December 2015	4.70	<u>57,499</u>	<u>7,848</u>	<u>5,440</u>	<u>70,787</u>	<u>68,439</u>
As at 31 December 2016	4.38	<u>33,894</u>	<u>7,982</u>	<u>4,818</u>	<u>46,694</u>	<u>44,833</u>

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DIVIDEND

We may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval.

During the year ended 31 December 2015, Lapco Service and Shiny Hope declared dividends of approximately HK\$8.8 million and approximately HK\$8.0 million, respectively to Mr. Lam and Shiny Glory declared approximately HK\$4.0 million to Ms. Wong. The dividends of approximately HK\$20.8 million in aggregate were settled through offsetting with the amounts due from Mr. Lam for the year ended 31 December 2015.

Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial condition, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant, and is subject to our discretion. As at the Latest Practicable Date, our Company does not have a dividend policy.

KEY FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the dates indicated.

	Year ended 31 December	
	2015	2016
Gross profit margin ¹ (%)	9.5	9.9
Net profit margin ² (%)	4.2	3.9
Return on equity ³ (%)	57.4	44.7
Return on total assets ⁴ (%)	9.2	10.3
Interest coverage ⁵ (time)	6.1	6.4
	As at 31 December	
	2015	2016
Current ratio ⁶ (time)	1.0	1.1
Gearing ratio ⁷ (%)	74.4	66.8

Notes:

1. Gross profit margin is based on gross profit divided by total revenue for the respective year multiplied by 100%
2. Net profit margin is calculated based on net profit (excluding the Listing expenses) after tax for the respective year divided by total revenue for the respective year and multiplied by 100%.
3. Return on equity is calculated based on our net profit (excluding the Listing expenses) after tax for the respective year divided by the total equity at the end of the year, multiplied by 100%.
4. Return on total assets is calculated based on our net profit (excluding the Listing expenses) after tax for the respective year divided by the total assets at the end of the year, multiplied by 100%.

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5. Interest coverage is calculated based on our net profit before interest, income taxes and one-off Listing expenses for the respective year divided by our finance cost for the same year.
6. Current ratio is calculated based on our current assets at the end of the year divided by our total current liabilities at the end of the respective year.
7. Gearing ratio is calculated based on net debt at the end of the respective year divided by total equity plus net debt and, multiplied by 100%. Net debt comprises interest-bearing bank loans, obligations under finance leases, amount due to a related party, deferred tax liabilities, tax payable, less bank balances and cash and pledged bank deposits.
8. Our net profit would be approximately HK\$15.7 million for the year ended 31 December 2016 by excluding the non-recurring Listing expenses of approximately HK\$6.9 million attributable to that period.

Gross profit margin

Our gross profit margin increased from approximately 9.5% to 9.9% from the year ended 31 December 2015 to 31 December 2016. The increase was mainly attributable to the increase in our gross profit margin of pest management services; and partially offset by the decrease in our gross profit margin of waste management and recycling services.

Net profit margin

Our net profit margin decrease slightly from approximately 4.2% to 3.9% from the year ended 31 December 2015 to the year ended 31 December 2016.

Return on equity

Our return on equity was approximately 57.4% and 44.7% for the two years ended 31 December 2015 and 2016, respectively. The decrease in our return on equity from the year ended 31 December 2015 to the year ended 31 December 2016 was primarily due to the increase in our shareholder's equity.

Return on total assets

Our return on total assets was approximately 9.2% and 10.3% for the two years ended 31 December 2015 and 2016, respectively. The increase in our return on assets was primarily due to the decrease in our total assets and the increase in our net profit (excluding the Listing expenses).

Interest coverage ratio

Our interest coverage ratio was approximately 6.1 times and 6.4 times for the two years ended 31 December 2015 and 2016, respectively. The increase was mainly due to the increase in net profit before interest, income taxes and our Listing expenses while our finance costs for these two years remained stable.

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Current ratio

Our current ratio remained stable at approximately 1.0 time and 1.1 times as at 31 December 2015 and 31 December 2016, respectively.

Gearing ratio

Our gearing ratio was approximately 74.4% and 66.8% as at 31 December 2015 and 31 December 2016, respectively. The decrease was primarily attributable to the significant increase in our total equity by approximately 33.5% and the decrease in our net debt by 7.5%.

LISTING EXPENSES

The estimated Listing expenses, which are non-recurring in nature, are in aggregate of approximately HK\$20.2 million, which will be borne by our Group (excluding the underwriting commission and Listing expenses of the Sale Shares of approximately HK\$1.0 million, which will be borne by the Selling Shareholder), of which approximately HK\$4.3 million is directly attributable to the issue of New Shares in the Listing and to be accounted for as a deduction from equity. The remaining estimated Listing expenses of approximately HK\$8.0 million will be charged to the combined statements of profit and loss and other comprehensive income upon Listing.

The Listing expenses of approximately HK\$6.9 million were recognised during the year ended 31 December 2016. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined statements of comprehensive income of our Group for the year ending 31 December 2017 and onwards is subject to adjustment based on audit and the then changes in variables and assumptions.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of our Group as if the Share Offer had taken place on 31 December 2016.

The statement of unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group as at 31 December 2016 or any future date following the Share Offer.

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The following statement of our unaudited pro forma adjusted combined net tangible assets of our Group is based on the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2016 as shown in the Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Share Offer Price of HK\$0.5 per Share	<u>35,063</u>	<u>26,883</u>	<u>61,946</u>	<u>0.15</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Share Offer are based on 80,000,000 New Shares at the Share Offer Price of HK\$0.5 per New Share, after deduction of the underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss prior to 31 December 2016.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 December 2016 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

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DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, available facilities and the estimated net proceeds of the Share Offer, and in the absence of unforeseen circumstances, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings; and (iv) has not breached of any finance covenants.

NO MATERIAL ADVERSE CHANGE

Except for the estimated Listing expenses for the year ending 31 December 2017, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date of our last audited financial statements as set out in Appendix I to this prospectus, and up to the date of this prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our shareholders as a whole. Further details on the related party transactions are set forth in the paragraph headed "Discussion on major items of the combined statements of financial position — Amount due from a Controlling Shareholder", "Discussion on major items of the combined statements of financial position — Amount due to a Controlling Shareholder" in this section, the paragraphs headed "Relationship with our Group of Controlling Shareholders — Independence from our Group of Controlling Shareholders — Financial independence" and the paragraphs headed "Continuing Connected Transactions — Lease of premises" in this prospectus.

DISTRIBUTABLE RESERVES

Our Company did not have any reserves available for distribution to our Shareholders as at 31 December 2016.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Further details on our business strategies and future plans are set forth in the paragraphs headed “Business — Business strategies and future plans” in this prospectus.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Our Directors believe that the Listing will provide our Group with financial resources for the execution of our business strategies and future plans as stated in the section headed “Business — Business Strategies and future plans” and strengthen our competitiveness in the market. Our Directors also believe that the Listing could (i) broaden our brand recognition and raise our corporate profile and (ii) provide direct access to the capital market for equity and/or debt financing to fund our current business operations and our future plans. In addition, our Listing status could attract strategic investors for investment and form strategic partnerships directly with us for future expansion. Moreover, our Directors are of the view that through the Listing, our corporate governance practices could be further enhanced.

The net proceeds of the Share Offer will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in this section.

Given that the Offer Price is determined at HK\$0.5, the table below sets forth the amount of net proceeds of the Share Offer (after deducting the underwriting commission and estimated Listing expenses borne by our Group and excluding the net proceeds of the Sale Shares) with and without exercising the Offer Size Adjustment Option:

	Assuming the Offer Size Adjustment Option is not exercised	Assuming the Offer Size Adjustment Option is exercised in full
Amount of net proceeds of the Share Offer	HK\$20.8 million	HK\$27.6 million

FUTURE PLANS AND USE OF PROCEEDS

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

	31 December		30 June		For the six months ending				31 December		Total	
	2017		2018		2018		2019		2019		HK\$	
	HK\$		HK\$		HK\$		HK\$		HK\$		HK\$	
	million	%	million	%	million	%	million	%	million	%	million	%
Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong												
- procure additional vehicles	2.0	9.6	3.0	14.4	2.0	9.6	3.0	14.5	-	-	10.0	48.1
- procure additional equipment	0.33	1.6	0.33	1.6	0.34	1.6	-	-	-	-	1.0	4.8
- hire additional staff	0.4	1.9	0.4	1.9	0.4	1.9	0.4	2.0	-	-	1.6	7.7
Subtotal	<u>2.73</u>	<u>13.1</u>	<u>3.73</u>	<u>17.9</u>	<u>2.74</u>	<u>13.1</u>	<u>3.4</u>	<u>16.5</u>	<u>-</u>	<u>-</u>	<u>12.6</u>	<u>60.6</u>
Enhance information technology application system to enhance operational efficiency	-	-	1.5	7.2	1.5	7.2	-	-	-	-	3.0	14.4
Repay a bank loan	3.2	15.4	-	-	-	-	-	-	-	-	3.2	15.4
General working capital	0.4	1.9	0.4	1.9	0.4	1.9	0.4	1.9	0.4	2.0	2.0	9.6
Total	<u>6.33</u>	<u>30.4</u>	<u>5.63</u>	<u>27.0</u>	<u>4.64</u>	<u>22.2</u>	<u>3.8</u>	<u>18.4</u>	<u>0.4</u>	<u>2.0</u>	<u>20.8</u>	<u>100.0</u>

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in this section on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors currently intend that such proceeds be placed on short-term deposits with licensed banks and/or financial institutions.

Among the Offer Shares of 100,000,000 Shares, there are 20,000,000 Sale Shares offered by the Selling Shareholder at the Offer Price. The net proceeds to be received by the Selling Shareholder from the sale of the Sale Shares will amount to approximately HK\$9.0 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder under the Share Offer.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 December 2019. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraphs headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on the current state of the environmental services industry, our Directors intend to carry out the following implementation plans:

For the six months ending 31 December 2017

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>	% of total net proceeds
Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong	<ul style="list-style-type: none"> • To acquire additional vehicles including a waste compaction vehicle and a street washing vehicle 	2.0	9.6
	<ul style="list-style-type: none"> • To acquire additional equipment including a mobile refuse compactor 	0.33	1.6
	<ul style="list-style-type: none"> • To hire additional staff including an operation manager and an assistant marketing manager 	0.4	1.9
Repay a bank loan		3.2	15.4
General working capital	<ul style="list-style-type: none"> • To use working capital for business growth and operation needs 	0.4	1.9

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending to 30 June 2018

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>	% of total net proceeds
Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong	<ul style="list-style-type: none"> • To acquire additional vehicles including a waste compaction vehicle, a street washing vehicle and a grab lorry 	3.0	14.4
	<ul style="list-style-type: none"> • To acquire additional equipment including a mobile refuse compactor 	0.33	1.6
	<ul style="list-style-type: none"> • To hire additional staff including an operation manager and an assistant marketing manager 	0.4	1.9
Enhance information technology application system to enhance operational efficiency	<ul style="list-style-type: none"> • To invest in enterprise resource planning system 	1.5	7.2
	<ul style="list-style-type: none"> • To upgrade our network backbone and hardware to build a more robust and reliable information technology system 		
Repay a bank loan		–	–
General working capital	<ul style="list-style-type: none"> • To use working capital for business growth and operation needs 	0.4	1.9

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2018

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>	% of total net proceeds
Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong	• To acquire additional vehicles including a waste compaction vehicle and a grab lorry	2.0	9.6
	• To acquire additional equipment including a mobile refuse compactor	0.34	1.6
	• To hire additional staff including an operation manager and an assistant marketing manager	0.4	1.9
Enhance IT application system to enhance operational efficiency	• To invest in enterprise resource planning system	1.5	7.2
	• To upgrade our network backbone and hardware to build a more robust and reliable information technology system		
General working capital	• To use working capital for business growth and operation needs	0.4	1.9

For the six months ending 30 June 2019

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>	% of total net proceeds
Expand our operational resources to strengthen our established presence in the environmental hygiene service industry in Hong Kong	• To acquire additional vehicles including a waste compaction vehicle, a street washing vehicle and a grab lorry	3.0	14.5
	• To hire additional staff including an operation manager and an assistant marketing manager	0.4	2.0
General working capital	• To use working capital for business growth and operation needs	0.4	1.9

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2019

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>	% of total net proceeds
General working capital	<ul style="list-style-type: none"> • To use working capital for business growth and operation needs 	0.4	2.0

Further details on the bank loan to be repaid by the net proceeds of the Share Offer, including the interest rate, maturity and the use of the bank loans, are set forth in the paragraphs headed “Financial information — Indebtedness — Bank borrowings” in the prospectus.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group; and
- (f) we will not be materially affected by the risk factors as set forth in the section headed “Risk factors” in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business. The following table sets out the information in respect of our Directors and senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles/ Responsibilities	Relationship with other Director(s) and/or senior management
<i>Executive Directors</i>						
Mr. LAM Pak Ling (林柏齡)	58	Executive Director, chief executive officer, chairman and compliance officer	30 November 1990	12 August 2016	Responsible for the overall management, strategic planning and business development, chairman of the nomination committee and member of the remuneration and nomination committees	Mr. Lam cohabits with Ms. Wong as spouse
Mr. CAI Weiming (蔡偉明)	51	Executive Director	1 November 2006	31 October 2016	Responsible for the supervision of the cleaning workers and operation team of our Group	Not applicable
Mr. WONG Tsz Chun, Jacky (王子進)	26	Executive Director and senior marketing manager	30 May 2012	12 August 2016	Responsible for the supervision of the marketing department, preparation of tender and quotation contracts of our Group	Not applicable

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles/ Responsibilities	Relationship with other Director(s) and/or senior management
<i>Non-executive Director</i>						
Mr. CHOI Chung Yin (蔡仲言)	30	Non-executive Director	12 August 2016	12 August 2016	Responsible for advising on opportunities for business development and strategic planning of our Group, relating to corporate, business and operational strategies	Not applicable
<i>Independent non-executive Directors</i>						
Mr. MAK Kwok Kei (麥國基)	31	Independent non-executive Director	24 June 2017	24 June 2017	Member of the audit, remuneration and nomination committees	Not applicable
Ms. LAM Kit Yan (林潔恩)	42	Independent non-executive Director	24 June 2017	24 June 2017	Chairman and member of the audit committee	Not applicable
Mr. HO Kin Wai (何建偉)	41	Independent non-executive Director	24 June 2017	24 June 2017	Chairman of the remuneration committee and member of the audit, remuneration and nomination committees	Not applicable

Senior Management

Name	Age	Position	Date of joining our Group	Roles/ Responsibilities	Relationship with other Director(s) and/or senior management
Ms. WONG Siu Fan, Beatrice (黃小芬)	50	Director of Shiny Glory and Sharp Idea	30 December 1991	Responsible for overall supervision of the financial and operation teams of our Group	Ms. Wong cohabits with Mr. Lam as spouse
Mr. TAM Yiu Shing, Billy (譚耀誠)	36	Financial Controller and Company Secretary	3 May 2016	Responsible for overall financial administration	Not applicable

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LAM Pak Ling (林柏齡), aged 58, is our executive Director, our chairman, our chief executive officer and our compliance officer.

Mr. Lam is the founder of our Group and a member of our Group of Controlling Shareholders and was appointed as our Director on 12 August 2016 and was re-designated as our executive Director on 7 November 2016. He is also the director of Sharp Idea, Lapco Service, Shiny Glory and Shiny Hope. Founding Shiny Glory in 1990 and Lapco Service in 1999, Mr. Lam has over 26 years of experience in the environmental hygiene service industry and is primarily responsible for the overall management, strategic planning and business development of our Group. In addition to his experience in the field, Mr. Lam completed a certificate course on Pest Control Technology and Management conducted by Hong Kong Productivity Council in May 1995. He was further awarded certificate in Operations and Workflow Management issued by The Hong Kong Management Association in December 2000. Further, Mr. Lam completed the ISO 14001:1996 EMS Internal Auditor Training Course in February 2004, Integrated Management System Internal Auditor Training Course (ISO 9001:2000, ISO 14001:2004, OHSAS 18001:1999) in May 2006 and Integrated Management System Implementation Training Course (ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007) in June 2016.

Mr. Lam was a director of the following companies, which were incorporated in Hong Kong and deregistered with details as follows:

Name of Company	Nature of business immediately prior to deregistration	Date of deregistration
Pacific Link Technology Limited (田一科技有限公司)	Investment holding	22 April 2005 (<i>Note</i>)
Power Creation International Limited (力展國際有限公司)	Investment holding	22 April 2005 (<i>Note</i>)
Hong Kong Friends Group Limited (香港好友集團有限公司)	Investment holding	15 October 2010 (<i>Note</i>)
Magic's Glory Enterprise Limited (喜凡企業有限公司)	Investment holding	8 January 2016
CCA Limited	Waste collection, recycling, environmental hygiene cleaning	10 March 2017

Note: These companies have been deregistered pursuant to section 291AA of the Predecessor Companies Ordinance. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all 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.

DIRECTORS AND SENIOR MANAGEMENT

Save as aforesaid, he does not have other previous working experience relevant to his position in our Group.

Mr. CAI Weiming (蔡偉明), aged 51, is our executive Director.

Mr. Cai was appointed as our Director on 31 October 2016 and was re-designated as executive Director on 7 November 2016. Mr. Cai moved to Hong Kong from the PRC after being granted a permit for residency in Hong Kong in 2006. Prior to his immigration to Hong Kong, Mr. Cai was a legal representative of 東莞市樟木頭樟聯印刷廠 (“**Zhanglian Printing**”), established in Dongguan City, the PRC. Zhanglian Printing, which was wholly owned by Mr. Cai, was principally engaged in printing business in the PRC and was dissolved on 26 July 2007. Mr. Cai joined our Group on 1 November 2006 as the operation manager of Lapco Service and was promoted to senior operation manager in May 2014. Mr. Cai is responsible for the supervision of our cleaning workers in our service locations, in charge of the operation based on our service contracts, planning and directing the operations of our cleaning contracts and allocating resources and frontline staff.

Mr. Cai completed a certificate course in Safety Supervisor (Environmental Hygiene) held by Lion Training Centre in December 2014 and was awarded a certificate in Supervisory Management by The Hong Kong Management Association in January 2015.

Save as aforesaid, he does not have any previous working experience relevant to his position in our Group.

Mr. WONG Tsz Chun, Jacky (王子進), aged 26, is our executive Director. He was appointed as our Director on 12 August 2016 and was re-designated as our executive Director on 7 November 2016.

Mr. Wong joined our Group on 30 May 2012 as marketing executive of Shiny Glory and his current position is the senior marketing manager of our Group. He is responsible for the supervision of the marketing department, preparation of tenders and quotations of our Group.

During his services with Shiny Glory, Mr. Wong has brought in new ideas about business strategy and operation functions and maintained good business relationship with our clients. He was involved in a range of business and operational responsibilities in strengthening customer relationships and ensuring the successful continuance of business operations, which include handling invitation to tender and quotations from potential customers, developing pricing strategies with management for tender for services and setting up customer acceptance criteria, general customer assessment and credit provision guideline for Shiny Glory. He also supervised a marketing team in Shiny Glory, which is responsible for developing and implementing marketing strategies, such as advertisements and promotional leaflets.

Mr. Wong completed courses under Yi Jin Programme organised by the Federation for Continuing Education in Tertiary Institution, of which the City University of Hong Kong is a member institution, in August 2009.

Save as aforesaid, he does not have any previous working experience relevant to his position in our Group.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. CHOI Chung Yin (蔡仲言), aged 30, is our non-executive Director.

Mr. Choi was appointed as our Director on 12 August 2016 and was re-designated as our non-executive Director on 7 November 2016. He is responsible for advising on opportunities for business development and strategic planning of our Group, relating to corporate, business and operational strategies.

Mr. Choi has over seven years of experience in the capital markets. Mr. Choi began his career as a currency trader with MS Services Center Limited, a financial services company, whose principal business activities are currency trading and risk management from May 2010 to June 2011. He then worked in the corporate finance department as corporate finance analyst at Beijing Capital Land Limited (stock code: 02868), whose shares are listed on the Stock Exchange and principal business activities are real estate development and investment, commercial real estate operation and property consulting services, from September 2011 to January 2014. He was primarily responsible for acquisitions, bonds issuance, private equity structuring and investor relations maintenance. He then served as a group strategist in Wang On Management Limited, a subsidiary of Wang On Group Limited (stock code: 01222), whose shares are listed on the Stock Exchange and principal business activities are property development, property investment, management and sub-licensing of Chinese wet markets and provision of finance in Hong Kong and the PRC, from January 2014 to October 2015. He was responsible for deal origination and execution, acquisitions and disposals, corporate finance activities and operational management. Mr. Choi is currently a director of Croydon Capital Advisors Limited, which owns 33% of the share capital in Magic Pioneer.

Mr. Choi graduated from University of Warwick with a bachelor degree in economics in 2008 and further obtained a master degree in philosophy from University of Cambridge in October 2009.

Save as aforesaid, he does not have other previous working experience relevant to his position in our Group.

Independent non-executive Directors

Mr. MAK Kwok Kei (麥國基), aged 31, was appointed as our independent non-executive Director on 24 June 2017.

Mr. Mak has over seven years of experience in securities sales and trading and capital markets advisory at various international investment banks, specialising in initial public offerings and capital fund raising for companies in Hong Kong and China. He worked as a trainee in Credit Agricole Corporate and Investment Bank (Hong Kong Branch), a financial services company, where he was mainly engaged in transacting various high grade corporate and government bonds with central banks in Asia, from September 2009 to November 2010. He also worked at Nomura International (Hong Kong) Limited, a financial services company, as associate where he was mainly engaged in both primary and secondary equity fund raising activities for listed companies and

DIRECTORS AND SENIOR MANAGEMENT

high-net-worth individuals in Asia, from November 2010 to August 2015. Since October 2015, he has served as a managing director and head of equity capital markets in Zhongtai International Capital Limited, a corporate finance advisory company. He is primarily responsible for providing capital markets advisory services to clients and operating and managing the equity capital markets franchise.

Mr. Mak was the founder and had been director of Speechless Financial Technology Company Limited, which is mainly engaged in applying voice-into-text technology into financial services industry, from October 2015 to February 2017. He has also been a limited partner in WI Harper Fund VIII LP, which is mainly engaged in venture capital investments in healthcare and technology sectors, since May 2016.

Mr. Mak obtained a bachelor degree with first class honour in applied business management from Imperial College London, United Kingdom in August 2008 and subsequently obtained a master degree in philosophy from University of Cambridge, United Kingdom in October 2009.

Save as aforesaid, he does not have other previous working experience relevant to his position in our Group.

Ms. LAM Kit Yan (林潔恩), aged 42, was appointed as our independent non-executive Director on 24 June 2017.

Ms. Lam has more than 16 years of experience in accountancy and auditing. She started working in Paul Chan & Partners, the certified public accountants in September 1997 and was promoted to an accountant I before she left in August 2001. She joined the audit department of PKF in September 2001 and was promoted to a senior supervisor in September 2004 and further promoted to an audit manager II in June 2006 until she left PKF in September 2007. During her employment with PKF, she was involved in a wide variety of works including auditing, taxation, accounting, system effectiveness and efficiency review, financial due diligence, works associated with initial public offerings, merger and acquisition as well as other assignments. Ms. Lam had been employed as a manager in KPMG from September 2007 to January 2010. From June 2010 to October 2011, Ms. Lam worked as a senior manager in Crowe Horwath (HK) CPA Limited.

Ms. Lam had been the company secretary, chief financial officer and the authorised representative of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 01250), whose shares are listed on the Stock Exchange and principal business activities are investment, development, construction, operation and management of photovoltaic power plants, photovoltaic power-related businesses and wind power-related business; and design, printing and sale of cigarette packages in the PRC, from June 2013 to May 2015. From January 2016 to February 2016, Ms. Lam served as an executive director and company secretary of Aurum Pacific (China) Group Limited (Stock code: 08148) whose shares are listed on the GEM of the Stock Exchange and principal business activities are development and marketing of patented server based technology and the provision of communications software platform and software related services; money lending business and the mobile data solutions and mobile game related services. In November 2016, Ms. Lam was appointed as the company

DIRECTORS AND SENIOR MANAGEMENT

secretary and the authorised representative of Epicurean and Company, Limited (stock code: 08213) whose shares are listed on the GEM of the Stock Exchange and principal business activity is provision of food and beverage services.

Ms. Lam obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in December 1997. Ms. Lam has been registered as a certified tax adviser since 2010 and was admitted as a fellow of The Taxation Institute of Hong Kong in July 2012. She has also been a member of the Hong Kong Institute of Certified Public Accountants since February 2001.

Save as aforesaid, she does not have other previous working experience relevant to her position in our Group.

Mr. HO Kin Wai (何建偉), aged 41, was appointed as our independent non-executive Director on 24 June 2017.

From December 2000 to December 2001, Mr. Ho was a programmer of The Chase Manhattan Bank, the principal business of which is providing banking service. From July 2003 to January 2009, he served as sales merchandiser of Betastar Trading Limited, the principal business of which is trading of footwear, responsible for sourcing footwear manufacturers, developing footwear, and handling and monitoring order process. He served as director of (i) Ever Smart International Enterprise Limited and (ii) Ever Smart International Holdings Limited since January 2009 and February 2015, respectively, which is engaged principally in design, development, sourcing, marketing and sale of footwear, the provision of footwear design and production management, and he is responsible for the overall management of both companies. Since May 2016, Mr. Ho has also served as the chairman and executive director of Ever Smart International Holdings Limited (Stock code: 08187) following the shares of the latter became listed on the GEM of the Stock Exchange, and he is mainly responsible for its overall business development, sales, strategic planning and major decision-making.

Mr. Ho obtained a bachelor of science in management in August 1999 from Royal Holloway and Bedford New College, University of London in the UK (currently known as Royal Holloway, University of London) and a master of science in interactive multimedia in June 2001 from Middlesex University in the UK.

Save as aforesaid, he does not have other previous working experience relevant to his position in our Group.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirm with respect to himself/herself that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section “Further information about Directors, management, staff and experts — 1. Disclosure of interests” in Appendix IV to this prospectus, he/she does not have any interests in the Shares within the meaning of Part

DIRECTORS AND SENIOR MANAGEMENT

XV of the SFO; (iv) had no other relationship with any Directors, Substantial Shareholders, our Group of Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date; (v) there is no other information that needs to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

Each of our Directors confirms that he/she does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us.

SENIOR MANAGEMENT

Ms. WONG Siu Fan, Beatrice (黃小芬), aged 50, is a director of Shiny Glory and Sharp Idea.

Ms. Wong is also a member of our Group of Controlling Shareholders and she cohabits with Mr. Lam as spouse. Ms. Wong joined our Group on 30 December 1991 as a director of Shiny Glory and resigned as a director of Shiny Glory on 7 July 1999. She was later re-appointed as a director of Shiny Glory on 15 July 2010. Ms. Wong has over 25 years of experience in the environmental hygiene service industry and is primarily responsible for overseeing and supervision of the financial and operation teams of our Group, in charge of implementation of policies and internal controls, provision of advice on financial planning and budgeting. Ms. Wong is also in charge of staff development and continuous improvement.

Ms. Wong was awarded a graduate diploma in sociology by Hong Kong Shue Yan College in July 1989. She completed the Certificate Course on B.V.I. Companies — Practical Application conducted by Sino Academic Research Centre in March 1999. Ms. Wong also completed ISO 9000:2000 Internal Quality Auditor Training Course in July 2002 and the Integrated Management System Internal Auditor Training Course (ISO 9001:2000, ISO 14001:2004, OHSAS 18001:1999) in May 2006 as well as attended the Awareness and Practical Training for ISO 9000:2000 and ISO 14001:1996 and Awareness Training for OHSAS 18001:1999 Standard, respectively, in March and May 2007.

Mr. TAM Yiu Shing, Billy (譚耀誠), aged 36, is the financial controller and company secretary of our Group.

Mr. Tam joined our Group on 3 May 2016 as an assistant financial controller and is responsible for the overall financial administration. Prior to joining our Group, he served Eddingpharm (Hong Kong) Company Limited, a pharmaceutical company, as a finance and administrative manager from June 2012 to February 2016 and he was primarily responsible for the management of accounting and financial operations. From March 2007 to May 2012, he served PricewaterhouseCoopers Ltd., an international auditing firm, as a manager as his last position in the firm and was primarily responsible for auditing, accounting, financial due diligence, works associated with initial public offerings and mergers and acquisitions.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy in November 2004 and was admitted as a member of Hong Kong Institute of Certified Public Accountants in May 2010.

COMPANY SECRETARY

Mr. TAM Yiu Shing, Billy (譚耀誠), our financial controller is also our company secretary. Further details on the company secretary are set forth in the paragraphs headed “Senior management” in this section.

COMPLIANCE OFFICER

Mr. Lam, our executive Director, chief executive officer and chairman, was appointed as our compliance officer on 14 March 2017. Further details on the compliance officer are set forth in the paragraphs headed “Executive Directors” in this section.

REMUNERATION POLICY

Our executive Directors, non-executive Director, independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation accrued to our Directors for the two years ended 31 December 2015 and 2016 were HK\$1.5 million and HK\$1.9 million, respectively.

The aggregate compensation (including salaries and other benefits, bonus and retirement benefit schemes contributions) paid to our five highest paid individuals during the two years ended 31 December 2016 were HK\$3.0 million and HK\$3.6 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangement currently in force, we estimate the total compensation (including salaries and other benefits, bonus, to retirement benefit schemes contributions) to be paid or accrued to our Directors for the year ending 31 December 2017 to be HK\$2.7 million.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

BOARD COMMITTEES

Audit committee

Our Company established the audit committee on 24 June 2017 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises the three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai. Ms. Lam Kit Yan currently serves as the chairman of the audit committee. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules have been adopted. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing our Group's financial reporting process and internal control system.

Remuneration committee

Our Company established the remuneration committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Lam Pak Ling, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Ho Kin Wai currently serves as the chairman of the remuneration committee. Written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules have been adopted. The remuneration committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company established the nomination committee on 24 June 2017 which comprises one executive Director and two independent non-executive Directors, namely Mr. Lam Pak Ling, Mr. Mak Kwok Kei and Mr. Ho Kin Wai. Mr. Lam Pak Ling currently serves as the chairman of the nomination committee. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to our Board on appointment of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Mr. Lam is our chairman and our chief executive officer and he has been managing our Group's business and supervising the overall operations and management of our Group since 1990. Our Directors consider that vesting the roles of the chairman of our Board and the chief executive of our Company in Mr. Lam is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group. Our Board will continue to review and consider splitting the roles of the chairman of our Board and our chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Octal Capital Limited as its compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and, if necessary, seek advice from the compliance adviser on a timely basis 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 Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (d) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier, and such appointment shall be subject to extension by mutual agreement.

The compliance adviser of our Company shall provide us with services, including guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the Share Offer and the Capitalisation Issue will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
320	Shares in issue as at the date of this prospectus	3.20
319,999,680	Shares to be issued pursuant to the Capitalisation Issue (including the 20,000,000 Sale Shares)	3,199,996.80
80,000,000	Shares to be issued pursuant to the Share Offer (excluding the Sale Shares)	800,000
<u>400,000,000</u>	Shares in total	<u>4,000,000</u>

ASSUMPTION

The above table assumes that the Share Offer becomes unconditional. The above table takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as described below and any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued Shares of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares will rank pari passu with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares not exceeding the sum of (a) 20% of the number of issued shares of our Company in issue as enlarged by the Capitalisation Issue and the Share Offer; and (b) the number of issued shares of our Company which may be repurchased by our Company pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under any option scheme or similar arrangement for the time being adopted. The Shares which our Directors are authorised to allot and issue under the issuing mandate will not be reduced by the allotment and issue of such Shares. This issuing mandate will expire: (i) at the conclusion of our Company's next annual general meeting; or (ii) upon the expiry of the period within which our Company is required by the Companies Law or any other applicable laws of the Cayman Islands or the Articles to hold its next annual general meeting; or (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first. Further details on this general mandate are set forth in the paragraphs headed "Further information about our Company — 3. Resolutions of our Shareholders" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares not more than 10% of the number of issued shares of our Company in issue, as enlarged by the Capitalisation Issue and the Share Offer. This repurchase mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. Further details on further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares are set forth in the paragraphs headed "Further information about our Company — 6. Securities repurchase mandate" in Appendix IV to this prospectus.

This repurchase mandate will expire: (i) at the conclusion of our Company's next annual general meeting; or (ii) upon the expiry of the period within which our Company is required by the Companies Law or any other applicable laws of the Cayman Islands or the Articles to hold its next annual general meeting; or (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first. Further details on this repurchase mandate are set forth in the paragraphs headed "Further information about our Company — 3. Resolutions of our Shareholders" in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of not more than 18 months from the date of adoption of the Articles unless a longer period would not infringe the rules of the Stock Exchange at such time and place as may be determined by the board.

An annual general meeting must be called by notice of not less than 21 clear days and not less than 20 clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least 14 clear days and not less than 10 clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Further details are set forth in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted or issued upon the exercise of the Offer Size Adjustment Option), the following persons are expected to have an interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to 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 our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Substantial Shareholder	Capacity/Nature of Interest	Number of Shares (long position)	Approximate percentage of interest in our Company
Mr. Lam	Founder and beneficiary of a discretionary trust	300,000,000	75%
Ms. Wong	Founder and beneficiary of a discretionary trust	300,000,000	75%
Max Super	Interest in a controlled corporation and trustee of a discretionary trust	300,000,000	75%
Gold Cavaliers	Registered owner <i>(Please refer to Note 1)</i>	300,000,000	75%
Magic Pioneer	<i>Please refer to Note 2</i>	63,990,000	16%

Notes:

1. Gold Cavaliers is held as to approximately 78.67% by Max Super acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves.
2. Magic Pioneer is indirectly interested in our Company through its direct interest of approximately 21.33% in Gold Cavaliers, and is thus considered to be effectively interested in our Company as to approximately 16%. Magic Pioneer is owned as to 34% by Earnmill Holdings Limited, as to 33% by Croydon Capital Advisors Limited and as to 33% by Xiong Jianrui.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to 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 our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

China Industrial Securities

Great Roc Capital

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, among others, the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

Subject to, among other conditions, the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

Grounds for termination

The Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of all the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Joint Lead Managers:
 - (a) any matter or event showing any of the representations, warranties and undertakings given to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Sole Global Coordinator and the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to this Agreement other than the Sole Sponsor, the Joint Lead Managers, the Sole Global Coordinator or the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Lead Managers, to be material in the context of the Public Offer; or

UNDERWRITING

- (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Lead Managers, to be material in the context of the Public Offer; or
 - (c) any event, series of events, matters or circumstances has occurred or arisen on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Joint Lead Managers to be material in the context of the Public Offer; or
 - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Lead Managers, a material omission in the context of the Public Offer; or
 - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company, and the Selling Shareholder, any of our executive Directors and our Group of Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or
 - (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Lead Managers, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI, the Cayman Islands, the PRC or any other jurisdictions relevant to the business of our Group (the “**Relevant Jurisdictions**”); or
 - (b) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, regional or international financial, currency, political, military, industrial,

UNDERWRITING

economic, stock market or other market conditions or prospects in the Relevant Jurisdictions; or

- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
- (d) any change or development involving a prospective material change in taxation or exchange controls (or the implementation of any exchange controls) in the Relevant Jurisdictions; or
- (e) any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
- (f) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or
- (g) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or
- (h) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Joint Lead Managers acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

UNDERWRITING

UNDERTAKINGS

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Group of Controlling Shareholders

Each member of our Group of Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Lead Managers, the Sole Global Coordinator and the Public Offer Underwriters that during the period of six months after the Listing Date ("**First Six-Month Period**"), he/she/it not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Sole Sponsor, the Joint Lead Managers and the Sole Global Coordinator and unless as a result of exercise of the Offer Size Adjustment Option or otherwise in compliance with the GEM Listing Rules:

- at any time during the period of six months commencing on the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date ("**First Six Month Period**"):
 - (a) 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, dispose of either directly or indirectly, any of the Shares in respect of which he/she/it is shown in this prospectus to be directly or indirectly interested in (the "**Relevant Securities**"); or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
 - (c) 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 (a) or (b) above; or
 - (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.
- at any time during the six month period commencing from the expiry of the First Six Month Period ("**Second Six Month Period**"):

dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it if, immediately following such disposal or upon the exercise or

UNDERWRITING

enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

Each member of the Group of Controlling Shareholders has jointly and severally undertaken to our Company, the Sole Sponsor, the Joint Lead Managers, the Sole Global Coordinator and the Public Offer Underwriters that,

1. In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by him/her/it or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.
2. at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, each member of the Group of Controlling Shareholders will:
 - (a) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company beneficially owned by him/her/it directly or indirectly, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers and the Sole Global Coordinator in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interests so pledged or charged; and
 - (b) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers and the Sole Global Coordinator in writing of such indications and the number of securities and nature of interests affected.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Group of Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Joint Lead Managers and the Sole Global Coordinator (acting on behalf of all the Public Offer Underwriters) that, except for the issue of the Shares pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option) and the Capitalisation Issue or as otherwise with the prior written consent of the Joint Lead Managers, and unless in compliance with the GEM Listing Rules, our Company will not, and will procure none of its subsidiaries will:

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- at any time during the First Six Month Period:
 - (a) allot or issue, or agree to allot or issue, any Shares or any other securities of our Company (including warrants or other convertible or exchangeable securities (and whether or not of a class already listed)) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into any Shares or any other securities of our Company; or
 - (b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so, during the First Six-Month Period.

In the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of the Company or any member of the Group or any interest therein by virtue of the aforesaid exceptions or during the Second Six-Month Period, it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings pursuant to the GEM Listing Rules

Undertakings by our Group of Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each member of our Group of Controlling Shareholders has undertaken to our Company and to the Stock Exchange that, save as provided in Rule 13.18 of the GEM Listing Rules and pursuant to the Share Offer, he/she/it shall not and shall procure that the relevant registered holder(s), his/her/its associates, companies controlled by him/her/it or his/her/its nominees or trustees holding our Shares in trust for him/her/it (as the case may be) shall not:

- (a) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document 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 our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; or
- (b) at any time during the six months commencing on the date on which the period referred to in (a) 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 our Shares referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a group of Controlling Shareholders.

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In addition, certain members of the Group of Controlling Shareholders, i.e. Magic Pioneer and each of its ultimate individual beneficial owners namely Mr. Xiong Jianrui, Mr. Choi Chung Yin, Mr. Tam Wai Tong and Mr. Tam Wai Ho, have undertaken to our Company for a period of 12 months from the Listing Date not to dispose of (save pursuant to a pledge or charge as security for a bona fide commercial loan) their respective equity interests in any corporate entity directly and/or indirectly holding our Shares. Further details are set forth in the section headed “History, development and reorganisation — Pre-IPO investment” in this prospectus.

Each member of our Group of Controlling Shareholders has also undertaken to and covenanted with our Company and the Stock Exchange that:

- (a) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in our Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Group of Controlling Shareholders in our Company is made in this prospectus and ending on the 12 months after the Listing Date, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in our Shares or other securities of our Company under sub-paragraph (a) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Group of Controlling Shareholders and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of GEM Listing Rules.

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for any of the circumstances provided under Rules 17.29(1) to (5) of the GEM Listing Rules.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Selling Shareholder will enter into the Placing Underwriting Agreement with, among others, the

UNDERWRITING

Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

Our Company will grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable by the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) at any time from the date of this prospectus to Monday, 17 July 2017, being the last business day prior to the Listing Date, at their sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the number of Offer Shares initially offered under the Share Offer, at the Offer Price, subject to the terms of the Placing Underwriting Agreement, for the sole purpose of covering over-allocations in the Placing, if any.

Commission and expenses

The Public Offer Underwriters will receive a commission of 3.0% on the aggregate Offer Price payable for the Public Offer Shares offered under the Public Offer in accordance with the terms of the Public Offer Agreement, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The underwriting commission will be shared by our Company and the Selling Shareholder on a pro-rata basis. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares offered under the Placing. The total expenses (excluding underwriting commission) in connection with the Share Offer, which amounted to approximately HK\$20.2 million, are borne by the Company.

Underwriters' interests in the Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Compliance Adviser's agreement

Under a compliance adviser's agreement made between Octal Capital Limited and our Company (the "**Compliance Adviser's Agreement**"), our Company appoints Octal Capital Limited and Octal Capital Limited agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

Sponsor's interest in our Company

Octal Capital Limited, being the Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be

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paid to Octal Capital Limited as the Sponsor to the Listing, its obligations under the Underwriting Agreements and the Compliance Adviser's Agreement, neither Octal Capital Limited nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Octal Capital Limited who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Octal Capital Limited has a directorship in our Company or any other company in our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises (subject to the Offer Size Adjustment Option):

- (i) the Public Offer of an aggregate of 10,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 90,000,000 Placing Shares, comprising 70,000,000 New Shares and 20,000,000 Sale Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their respective terms,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.lapco.com.hk on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 10,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued pursuant to the Offer Size Adjustment Option. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraphs headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the 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 the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. In particular, the Offer Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules that no more than 50% of our Shares in public hands at the time of Listing will be owned by three largest public Shareholders.

Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of the Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Monday, 17 July 2017 through a variety of channels as described in paragraphs headed "How to apply for Public Offer Shares — 10. Publication of results".

Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment which would have the effect of increasing the number of Offer Shares under

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Lead Managers shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 20,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 30,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 40,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers deem appropriate. In addition, the Joint Lead Managers may in their sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Joint Lead Managers will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Joint Lead Managers deem appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 90,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares and/or hold or sell its Offer Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Lead Managers may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be HK\$0.5 per Offer Share.

Price payable on application

Applicants under the Public Offer should pay, on application, the Offer Price of HK\$0.5 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,525.20 per board lot of 5,000 Offer Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. Further details are set forth in the section headed "How to apply for Public Offer Shares" in this prospectus.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.lapco.com.hk on Monday, 17 July 2017.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Tuesday, 18 July 2017. The Shares will be traded in board lots of 5,000 Shares each. The GEM stock code for the Shares is 8472.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. 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 date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

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 stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

OFFER SIZE ADJUSTMENT OPTION

The Joint Lead Managers can exercise the Offer Size Adjustment Option solely to cover any over-allocation in the Placing. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised at any time before 5:00 p.m. on the business day immediately before the date of the announcement of the results of allocation and the basis of allocation of the Public Offer Shares, otherwise it will lapse. Any such additional Shares to be issued pursuant to the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

In the event that the Offer Size Adjustment Option is exercised in full, 15,000,000 additional Placing Shares will be issued resulting in a total number of 415,000,000 Shares in issue and the shareholding of the Shareholders will be diluted on a pro rata basis following completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds to be received by our Company from the Placing will be used on a pro-rata basis as disclosed in the section headed “Future plans and use of proceeds” in this prospectus.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Joint Lead Managers on behalf of the Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 to 12:00 noon on Wednesday, 5 July 2017 from:

- (i) the following office of the Public Offer Underwriters:

China Industrial Securities	7/F, Three Exchange Square 8 Connaught Place Central Hong Kong
Great Roc Capital	Room 1601-1603, 16/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) 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	Bank of China Tower Branch	3/F, 1 Garden Road Central, Hong Kong
	Lee Chung Street Branch	29-31 Lee Chung Street Chai Wan, Hong Kong
Kowloon	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road Sham Shui Po 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

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Wednesday, 5 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Lapco 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, 30 June 2017 — 9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, 4 July 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 5 July 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 5 July 2017, the last application day or such later time as described in the paragraphs headed "9. Effect of bad weather on the opening of the applications lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and 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, the Sole Sponsor and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their

HOW TO APPLY FOR PUBLIC OFFER SHARES

respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (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 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 deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or

HOW TO APPLY FOR PUBLIC OFFER SHARES

YELLOW Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<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 Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to

HOW TO APPLY FOR PUBLIC OFFER SHARES

give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (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, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer

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Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance 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 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, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 June 2017	—	9:00 a.m. to 8:30 p.m.	<i>(Note 1)</i>
Monday, 3 July 2017	—	8:00 a.m. to 8:30 p.m.	<i>(Note 1)</i>
Tuesday, 4 July 2017	—	8:00 a.m. to 8:30 p.m.	<i>(Note 1)</i>
Wednesday, 5 July 2017	—	8:00 a.m. <i>(Note 1)</i> to 12:00 noon	

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Wednesday, 5 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 5 July 2017, the last application day or such later time as described in the paragraphs headed “9. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banker, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 July 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or

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- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- 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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to

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the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 5 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer on Monday, 17 July 2017 on our Company’s website at www.lapco.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.lapco.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 17 July 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 17 July 2017 to 12:00 midnight on Sunday, 23 July 2017;
- by telephone enquiry line by calling 852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 17 July 2017 to Thursday, 20 July 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 17 July 2017 to Wednesday, 19 July 2017 at all the receiving banks’ designated branches.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED 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, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers 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 Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe 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 10,000,000 Public Offer Shares initially offered under the Public Offer.

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12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer — Conditions of the 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, 17 July 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on 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, 17 July 2017. The right is reserved to retain any share

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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, 18 July 2017 provided that the Share Offer has become unconditional and the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/ or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 17 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 17 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. 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, 17 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 17 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraphs headed "10. 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, 17 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply 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, 17 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraphs headed "10. Publication of Results" above on Monday, 17 July 2017. You should check the announcement published by our Company and report any discrepancies

HOW TO APPLY FOR PUBLIC OFFER SHARES

to HKSCC before 5:00 p.m. on Monday, 17 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 17 July 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications 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, 17 July 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

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

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

The following is the text of a report, prepared for inclusion in this Prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LAPCO HOLDINGS LIMITED AND OCTAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Lapco Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-43, which comprises the combined statements of financial position as at 31 December 2015 and 2016, the statement of financial position of the Company as at 31 December 2016, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of 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 preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2016 and the Group's financial position as at 31 December 2015 and 2016 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-3 as were considered necessary.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by group entities and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 June 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on consolidated financial statements of Sharp Idea Global Limited ("**Sharp Idea**") and its subsidiaries ("**Sharp Idea Group**") for the Track Record Period and management accounts of the Company for the period from its date of incorporation to 31 December 2016 (collectively known as "**Underlying Financial Statements**"). The consolidated financial statements of Sharp Idea and its subsidiaries have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("**HK\$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December	
		2015 HK\$'000	2016 HK\$'000
Revenue	5	363,467	404,124
Cost of services		<u>(328,894)</u>	<u>(363,930)</u>
Gross profit		34,573	40,194
Other income	6	369	645
Other gains and losses	7	(530)	(285)
Administrative expenses		(12,737)	(17,667)
Listing expenses		–	(6,880)
Finance costs	8	<u>(3,531)</u>	<u>(3,555)</u>
Profit before taxation	10	18,144	12,452
Income tax expense	11	<u>(3,056)</u>	<u>(3,663)</u>
Profit and total comprehensive income for the year attributable to the owners of the Company		<u>15,088</u>	<u>8,789</u>

STATEMENTS OF FINANCIAL POSITION

		The Group		The Company
		As at 31 December		As at
	NOTES	2015	2016	31 December
		HK\$'000	HK\$'000	2016
				HK\$'000
Non-current assets				
Plant and equipment	14	33,038	44,843	–
Deposits and prepayments	16	5,382	8,901	–
Deposits for acquisition of plant and equipment		2,317	–	–
		<u>40,737</u>	<u>53,744</u>	<u>–</u>
Current assets				
Trade receivables	15	85,997	72,545	–
Other receivables, deposits and prepayments	16	3,356	9,461	1,712
Amount due from a controlling shareholder	17	8,618	2,361	419
Pledged bank balances	18	9,280	9,080	–
Bank balances and cash	18	15,386	4,624	–
		<u>122,637</u>	<u>98,071</u>	<u>2,131</u>

		The Group		The Company
		As at 31 December		As at
	NOTES	2015	2016	31 December
		HK\$'000	HK\$'000	2016
				HK\$'000
Current liabilities				
Trade payables	19	3,871	3,148	–
Other payables and accrued charges	20	25,635	24,027	2,804
Provisions	21	4,725	3,456	–
Tax payable		2,833	1,826	–
Amount due to a related party	17	80	11	6,570
Bank borrowings	22	70,334	48,783	–
Obligations under finance leases	24	10,370	11,258	–
		<u>117,848</u>	<u>92,509</u>	<u>9,374</u>
Net current assets (liabilities)		<u>4,789</u>	<u>5,562</u>	<u>(7,243)</u>
Total assets less current liabilities		<u>45,526</u>	<u>59,306</u>	<u>(7,243)</u>
Non-current liabilities				
Provisions	21	1,768	1,748	–
Deferred tax liabilities	23	2,861	3,590	–
Obligations under finance leases	24	14,623	18,905	–
		<u>19,252</u>	<u>24,243</u>	<u>–</u>
Net assets		<u><u>26,274</u></u>	<u><u>35,063</u></u>	<u><u>(7,243)</u></u>
Capital and reserves				
Issued share capital	25	10,200	8	–
Reserves		<u>16,074</u>	<u>35,055</u>	<u>(7,243)</u>
Equity attributable to owners of the Company		<u><u>26,274</u></u>	<u><u>35,063</u></u>	<u><u>(7,243)</u></u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Issued share capital HK\$'000	Other reserve HK\$'000 <i>(note)</i>	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2015	5,610	–	21,786	27,396
Profit and total comprehensive income for the year	–	–	15,088	15,088
Dividend paid <i>(note 12)</i>	–	–	(20,800)	(20,800)
Issue of shares of Lapco Service Limited (“Lapco”)	<u>4,590</u>	<u>–</u>	<u>–</u>	<u>4,590</u>
At 31 December 2015	<u>10,200</u>	<u>–</u>	<u>16,074</u>	<u>26,274</u>
Profit and total comprehensive income for the year	–	–	8,789	8,789
Effect of reorganisation	<u>(10,192)</u>	<u>10,192</u>	<u>–</u>	<u>–</u>
At 31 December 2016	<u>8</u>	<u>10,192</u>	<u>24,863</u>	<u>35,063</u>

Note: Other reserve represented the difference between the share capital of Lapco, Shiny Glory Services Limited (“Shiny Glory”) and Shiny Hope Limited (“Shiny Hope”) and that of Sharp Idea issued pursuant to a group reorganisation as stated in note 1.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	18,144	12,452
Adjustments for:		
Depreciation of plant and equipment	9,570	13,703
Interest income	(356)	(458)
Gain on disposal/written off of plant and equipment, net	(19)	(286)
Finance costs	3,531	3,555
	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	30,870	28,966
(Increase) decrease in trade receivables	(10,024)	13,452
Increase in other receivables, deposits and prepayments	(1,073)	(9,376)
Decrease in trade payables	(1,318)	(723)
Increase (decrease) in other payables and accrued charges	3,296	(1,608)
Decrease in amount due to a related party	(54)	(69)
Increase (decrease) in provisions	2,613	(1,289)
Decrease in factoring trade receivables with recourse	(1,754)	(23,808)
	<u> </u>	<u> </u>
Cash generated from operations	22,556	5,545
Income tax paid	(705)	(3,941)
	<u> </u>	<u> </u>
NET CASH FROM OPERATING ACTIVITIES	<u>21,851</u>	<u>1,604</u>
INVESTING ACTIVITIES		
Interest received	180	210
Deposits paid for acquisition of plant and equipment	(2,317)	–
Purchases of plant and equipment	(793)	(5,782)
Proceeds from disposal of plant and equipment	79	420
Withdrawal of pledged bank balances	18	200
Repayment from a controlling shareholder	–	10,799
Advance to a controlling shareholder	(27,392)	(4,542)
	<u> </u>	<u> </u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(30,225)</u>	<u>1,305</u>

	Year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCING ACTIVITIES		
Interest paid	(3,531)	(3,555)
Repayment of obligations under finance leases	(9,714)	(12,373)
New bank borrowings raised	15,311	31,627
Repayment of bank borrowings	(3,300)	(29,370)
Advance from a controlling shareholder	–	11,325
Repayment to a controlling shareholder	–	(11,325)
Proceeds from issuance of shares	4,590	–
	<u>3,356</u>	<u>(13,671)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
	<u>3,356</u>	<u>(13,671)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(5,018)	(10,762)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		
	<u>20,404</u>	<u>15,386</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		
	<u><u>15,386</u></u>	<u><u>4,624</u></u>

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 12 August 2016. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

Before the completion of the Reorganisation, Lapco was owned by Prime Rich (Asia) Limited ("**Prime Rich**") which held the shares on trust for the benefit of Mr. Lam Pak Ling ("**Mr. Lam**"), a founder of the Group's business (the "**Lam's Family Business**"), pursuant to a declaration of trust existed prior to the Track Record Period. Shiny Hope is wholly owned by Mr. Lam and Shiny Glory is wholly owned by Ms. Wong Siu Fan, Beatrice ("**Ms. Wong**"), common law spouse of Mr. Lam. Prior to 1 January 2014, Mr. Lam and Ms. Wong (collectively referred to as the "**Controlling Shareholders**"), owned the Lam's Family Business through their interests held in the companies comprising the Group. The Controlling Shareholders exercise their control collectively over the companies now comprising the Group.

For the purpose of the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "**Listing**"), the companies comprising the Group underwent the reorganisation as described below.

- (1) On 8 January 2016, Champion Success Development Limited ("**Champion Success**") was incorporated in Hong Kong and 1 share was allotted and issued to the subscriber at a subscription price of HK\$1 per share. On 7 April 2016, Mr. Lam acquired one share from the subscriber at a consideration of HK\$1 and on the same day, one additional share was allotted and issued to each of Mr. Lam and Ms. Wong, respectively. Immediately thereafter, Champion Success was owned as to approximately 67% by Mr. Lam and as to approximately 33% by Ms. Wong.
- (2) On 1 April 2016, Sharp Idea was incorporated in the British Virgin Islands (the "**BVI**") with an authorised share capital of United States Dollar ("**USD**") 50,000 divided into 50,000 shares of par value of USD1 each. On 8 April 2016, 1,000 shares with par value of USD1 each were allotted and issued to Champion Success.
- (3) On 15 April 2016, Prime Rich, Ms. Wong and Mr. Lam transferred their entire shareholding interests in Lapco, Shiny Glory and Shiny Hope, respectively to Sharp Idea, for an aggregate cash consideration of HK\$3. Upon the completion of the transfer, Lapco, Shiny Glory and Shiny Hope became the wholly-owned subsidiaries of Sharp Idea.
- (4) On 15 April 2016, Champion Success transferred 200 shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea to Magic Pioneer Limited ("**Pre-IPO Investor**"), an independent third party and a limited company incorporated in the BVI, for the consideration of HK\$12,000,000. Immediately after this transfer, Sharp Idea was held as to 20% by Pre-IPO Investor and 80% by Champion Success. The Controlling Shareholders and the Pre-IPO Investor are collectively referred to as the "Ultimate Owners".
- (5) On 8 August 2016, a family trust (the "**Lam Family Trust**") was established by the Controlling Shareholders with Max Super Holdings Limited acting as the trustee (the "**Trustee**"). The Lam Family Trust is a discretionary trust with the Controlling Shareholders as beneficiaries.
- (6) On 11 August 2016, Gold Cavaliers International Limited ("**Gold Cavaliers**") was incorporated in the BVI with an authorised share capital of USD50,000 consisting of 50,000 ordinary shares with par value of USD1 each. Upon its incorporation, 7,867 shares and 2,133 shares of USD1.00 each were allotted and issued to Champion Success and Pre-IPO Investor, respectively.
- (7) On 11 August 2016, Profound Wellness Holdings Limited ("**Profound Wellness**") was incorporated in the BVI with an authorised share capital of USD50,000 consisting of 50,000 ordinary shares with par value of USD1 each. Upon its incorporation, 2 shares and 1 share of USD1.00 each were allotted and issued to Mr. Lam and Ms. Wong, respectively.

- (8) On 12 August 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 nil paid new share of HK\$0.01 was allotted and issued to the subscriber and was transferred to Gold Cavaliers at nominal value on the same day.
- (9) On 14 June 2017, 7,867 shares in Gold Cavaliers were transferred to the Trustee of the Lam Family Trust from Champion Success.
- (10) On 14 June 2017, pursuant to the share swap agreement entered into amongst Champion Success, Pre-IPO Investor and the Company, Champion Success and Pre-IPO Investor transferred their entire equity interests in Sharp Idea to the Company. In exchange the Company will issue 299 and 20 shares to Gold Cavaliers and Profound Wellness, respectively at the direction of Champion Success and Pre-IPO Investor. Upon completion of such share swap, Sharp Idea became a wholly-owned subsidiary of the Company.

Pursuant to steps 1 to 3 detailed above, Sharp Idea has become the intermediate holding company of Lapco, Shiny Glory and Shiny Hope and they are controlled by Controlling Shareholders before and after Reorganisation and the consolidated financial statements of Sharp Idea Group has been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting Under Common Control Combination” issued by HKICPA.

Pursuant to steps 4 to 10 detailed above, the Company became the holding company of the companies now comprising the Group by interspersing the Company and other investment holding companies between Sharp Idea and the Ultimate Owners.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective date of incorporation, which is a shorter period.

The combined statements of financial position of the Group as at 31 December 2015 and 2016 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 taking into account the respective dates of incorporation, where applicable.

The Historical Financial Information is presented in HK\$, which is also the functional currency of companies now comprising the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2016 throughout the Track Record Period.

At the date of this report, HKICPA has issued the following new and revised HKFRSs which are not yet effective.

HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure initiative ¹
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ¹
Amendments to HKAS 40	Transfers of investment property ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle ⁵
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ²

Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ²

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments. Key requirement of HKFRS 9 which is relevant to the Group is as follow:

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group’s financial assets as at 31 December 2016 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group’s financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group’s existing business model.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have impact on the amounts reported but may result in more disclosures made to the financial statements based on the existing business model of the Group as at 31 December 2016.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in note 26, total operating lease commitment of the Group in respect of leased premises as at 31 December 2016 is amounted to HK\$1,657,000. Upon the adoption of HKFRS 16, the directors of the Company expect that the commitments in the future in respect of leased premises with terms more than 12 months will be required to be recognised in the financial statements of the Group in future as right-of-use assets and lease liabilities and the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results.

Except for the above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs in issue but not yet effective will have no material impact on the financial statements of the Group in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the five elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes 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.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a controlling shareholder, pledged bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be insignificant.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities at amortised cost

The Group's financial liabilities including trade payables, other payables and accrued charges, amount due to a controlling shareholder, amount due to a related party and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("**MPF Scheme**") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015 and 2016, the carrying amount of trade receivables is approximately HK\$85,997,000 and HK\$72,545,000, respectively. No impairment loss on trade receivables was recognised during the Track Record Period.

5. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group to external customers. The Group's operations is solely derived from services provided in Hong Kong during the Track Record Period.

Information reported to the Controlling Shareholders, being the chief operating decision maker (collectively referred to as "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Group's operating and reportable segments are therefore as follows:

- Cleaning services
- Pest management services
- Waste management and recycling services
- Landscaping services

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>For the year ended 31 December 2015</i>					
Segment revenue – external customers	<u>305,399</u>	<u>43,346</u>	<u>14,722</u>	<u>-</u>	<u>363,467</u>
Segment results	<u>28,294</u>	<u>1,526</u>	<u>4,753</u>	<u>-</u>	<u>34,573</u>
Other income					369
Other gains and losses					(530)
Administrative expenses					(12,737)
Finance costs					<u>(3,531)</u>
Profit before taxation					<u>18,144</u>
	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>For the year ended 31 December 2016</i>					
Segment revenue – external customers	<u>343,982</u>	<u>31,552</u>	<u>27,870</u>	<u>720</u>	<u>404,124</u>
Segment results	<u>31,555</u>	<u>3,365</u>	<u>5,256</u>	<u>18</u>	<u>40,194</u>
Other income					645
Other gains and losses					(285)
Administrative expenses					(17,667)
Listing expenses					(6,880)
Finance costs					<u>(3,555)</u>
Profit before taxation					<u>12,452</u>

There were no inter-segment revenue for the Track Record Period.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment results represents the results from each segment without allocation of administrative expenses, other income, gains and losses, finance costs, listing expenses and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The segment assets and liabilities at the end of each reporting period by operating and reportable segments are as follows:

	Cleaning services <i>HK\$'000</i>	Pest management services <i>HK\$'000</i>	Waste management and recycling services <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>As at 31 December 2015</i>					
Segment assets	99,298	14,093	4,787	-	118,178
Certain plant and equipment					857
Other receivables, deposits and prepayments					8,738
Deposits for acquisition of plant and equipment					2,317
Amount due from a controlling shareholder					8,618
Pledged bank balances					9,280
Bank balances and cash					15,386
					<u>163,374</u>
Total assets					<u>163,374</u>
Segment liabilities	28,967	4,237	1,193	-	34,397
Certain other payables and accrued charges					1,682
Tax payable					2,833
Bank borrowings					70,334
Obligations under finance leases					24,993
Deferred tax liabilities					2,861
					<u>137,100</u>
Total liabilities					<u>137,100</u>

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Total HK\$'000
<i>As at 31 December 2016</i>					
Segment assets	85,525	9,115	21,901	208	116,749
Certain plant and equipment					639
Other receivables, deposits and prepayments					18,362
Amount due from a controlling shareholder					2,361
Pledged bank balances					9,080
Bank balances and cash					4,624
Total assets					<u>151,815</u>
Segment liabilities	23,937	3,190	1,554	38	28,719
Certain other payables and accrued charges					3,671
Tax payable					1,826
Bank borrowings					48,783
Obligations under finance leases					30,163
Deferred tax liabilities					3,590
Total liabilities					<u>116,752</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than certain plant and equipment, deposits for acquisition of plant and equipment, other receivables, deposits and prepayments, amount due from a controlling shareholder, pledged bank balances and bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables and accrued charges, tax payable, bank borrowings, obligations under finance leases and deferred tax liabilities.

Other segment information

	Cleaning services HK\$'000	Pest management services HK\$'000	Waste management and recycling services HK\$'000	Landscaping services HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Total HK\$'000
<i>For the year ended 31 December 2015</i>							
Additions to plant and equipment	10,426	1,480	503	–	12,409	937	13,346
Depreciation of plant and equipment	7,892	1,120	380	–	9,392	178	9,570
Gain (loss) on disposal of plant and equipment	66	10	3	–	79	(60)	19

	Cleaning services	Pest management services	Waste management and recycling services	Landscaping services	Segment total	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the year ended 31 December 2016</i>							
Additions to plant and equipment	7,055	1,995	16,461	46	25,557	85	25,642
Depreciation of plant and equipment	10,556	1,046	1,774	24	13,400	303	13,703
Gain on disposal of plant and equipment	243	22	20	1	286	-	286
	<u>243</u>	<u>22</u>	<u>20</u>	<u>1</u>	<u>286</u>	<u>-</u>	<u>286</u>

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's plant and equipment amounting to HK\$33,038,000 and HK\$44,843,000 as at 31 December 2015 and 2016, respectively, are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Customer A	294,661	315,681
Customer B	44,530	59,400
	<u>44,530</u>	<u>59,400</u>

6. OTHER INCOME

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Bank interest income	180	210
Interest income from deposits in life insurance policies	176	248
Sundry income	13	187
	<u>369</u>	<u>645</u>

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Gain on disposal/written off of plant and equipment, net	19	286
Net foreign exchange losses	(549)	(571)
	<u>(530)</u>	<u>(285)</u>

8. FINANCE COSTS

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Interests on:		
Bank borrowings	2,516	2,316
Obligations under finance leases	1,015	1,239
	<u>3,531</u>	<u>3,555</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Lam, Mr. Choi Chung Yin ("Mr. Choi") and Mr. Wong Tsz Chun, Jacky ("Mr. Wong") were appointed as directors of the Company on 12 August 2016, and Mr. Cai Weiming ("Mr. Cai") was appointed as director of the Company on 31 October 2016. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by the entities comprising the Group during the Track Record Period as follows:

	Mr. Lam	Mr. Wong	Mr. Cai	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note i)			
Year ended 31 December 2015				
Salaries and other benefits	1,062	206	202	1,470
Retirement benefit scheme contributions	<u>18</u>	<u>10</u>	<u>10</u>	<u>38</u>
Total emoluments	<u>1,080</u>	<u>216</u>	<u>212</u>	<u>1,508</u>

	Mr. Lam	Mr. Choi	Mr. Wong	Mr. Cai	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note i)</i>				
Year ended 31 December 2016					
Salaries and other benefits	1,006	–	259	401	1,666
Bonus <i>(Note ii)</i>	200	–	–	–	200
Retirement benefit scheme contributions	18	–	13	14	45
	<u>1,224</u>	<u>–</u>	<u>272</u>	<u>415</u>	<u>1,911</u>
Total emoluments	<u>1,224</u>	<u>–</u>	<u>272</u>	<u>415</u>	<u>1,911</u>

Notes:

- (i) Mr. Lam acts as chief executive of the Group.
- (ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The emoluments stated above were for their services in connection with the management of the affairs of the companies comprising the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any remuneration during the Track Record Period.

(b) Employees' emoluments

The five highest paid individuals included Mr. Lam for year ended 31 December 2015 and Mr. Lam and Mr. Cai for the year ended 31 December 2016 whose emoluments are included in the disclosures in (a). The emoluments of the remaining four and three individuals for the year ended 31 December 2015 and 2016, respectively were as follows:

	Year ended 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,850	1,714
Bonus	–	200
Retirement benefit scheme contributions	62	44
	<u>1,912</u>	<u>1,958</u>
	<u>1,912</u>	<u>1,958</u>

Their emoluments were within the following bands:

	Year ended 31 December	
	2015	2016
	Number of employees	Number of employees
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	1
	<u> </u>	<u> </u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	245	584
Depreciation of plant and equipment	9,570	13,703
Directors' remuneration (<i>note 9</i>)	1,508	1,911
Other staff costs		
Salaries, bonuses and other benefits	278,250	309,559
Retirement benefits scheme contributions	8,609	8,037
Total staff costs	288,367	319,507
Lease payments under operating leases in respect of land and buildings entered into:		
by the Group for minimum lease payments	612	1,126
by a related party on behalf of the Group for minimum lease payments	1,160	720
	<u> </u>	<u> </u>

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
– Current tax	2,456	2,934
Deferred tax (<i>note 23</i>)	600	729
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	3,056	3,663
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Profit before taxation	18,144	12,452
Tax at Hong Kong Profits Tax rate of 16.5%	2,994	2,055
Tax effect of income not taxable for tax purpose	(90)	(75)
Tax effect of expenses not deductible for tax purpose	122	1,343
Tax effect of tax losses not recognised	–	330
Others	30	10
Tax charge for the year	3,056	3,663

12. DIVIDEND

During the year ended 31 December 2015, Lapco and Shiny Hope declared dividends of HK\$8,800,000 and HK\$8,000,000, respectively to Mr. Lam and Shiny Glory declared HK\$4,000,000 to Ms. Wong.

The rate of dividend and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in note 1.

14. PLANT AND EQUIPMENT

	Leasehold Improvements HK\$'000	Office equipment HK\$'000	Site equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 January 2015	240	46	9,069	52,634	61,989
Additions	443	494	652	11,757	13,346
Disposals	(199)	-	-	(42)	(241)
At 31 December 2015	484	540	9,721	64,349	75,094
Additions	85	-	669	24,888	25,642
Disposals/written-off	-	-	-	(951)	(951)
At 31 December 2016	569	540	10,390	88,286	99,785
DEPRECIATION					
At 1 January 2015	99	29	6,741	25,798	32,667
Provided for the year	166	12	759	8,633	9,570
Eliminated on disposals	(139)	-	-	(42)	(181)
At 31 December 2015	126	41	7,500	34,389	42,056
Provided for the year	195	108	725	12,675	13,703
Eliminated on disposals/written-off	-	-	-	(817)	(817)
At 31 December 2016	321	149	8,225	46,247	54,942
CARRYING AMOUNTS					
At 31 December 2015	<u>358</u>	<u>499</u>	<u>2,221</u>	<u>29,960</u>	<u>33,038</u>
At 31 December 2016	<u>248</u>	<u>391</u>	<u>2,165</u>	<u>42,039</u>	<u>44,843</u>

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease terms
Office equipment	20%
Site equipment	20%
Motor vehicles	20%-30%

At 31 December 2015 and 2016, the carrying values of motor vehicles included an amount of approximately HK\$28,557,000 and HK\$35,789,000, respectively in respect of the assets held under finance leases.

15. TRADE RECEIVABLES

The Group grants credit terms of 60 - 90 days to its customers. An ageing analysis of the trade receivables presented based on the invoice date which approximated the respective dates on which revenue was recognised at the end of each reporting period.

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
0 - 30 days	31,143	27,412
31 - 60 days	29,832	25,674
61 - 90 days	20,247	10,122
91 - 180 days	4,726	8,400
Over 180 days	49	937
	85,997	72,545
	85,997	72,545

Before accepting any new customer, the Group assesses the potential customer's credit quality. Approximately 94% and 87% of trade receivables as at 31 December 2015 and 2016, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past and have good credit quality.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$4,775,000 and HK\$9,337,000 which are past due at 31 December 2015 and 2016, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 136 days and 143 days as at 31 December 2015 and 2016, respectively.

Ageing analysis of trade receivables which are past due but not impaired:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
91 - 180 days	4,726	8,400
Over 180 days	49	937
	4,775	9,337
	4,775	9,337

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group believe that no impairment is required.

Transfer of financial assets

The followings were the Group's trade receivables as at 31 December 2015 and 2016 that were transferred to banks by factoring trade receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured bank borrowings (see note 22). These financial assets were carried at amortised cost in the Group's combined statements of financial position.

	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of transferred assets	80,138	65,400
Carrying amount of associated liabilities	(54,448)	(30,640)
Net position	<u>25,690</u>	<u>34,760</u>

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company
	As at 31 December		As at 31 December
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and utilities deposits	473	594	–
Deposits paid to suppliers	560	731	–
Payments for life insurance policies (<i>Note</i>)	4,395	7,685	–
Other receivables	277	4,065	–
Prepayments	3,033	3,575	–
Deferred and prepaid listing expenses	–	1,712	1,712
Total	<u>8,738</u>	<u>18,362</u>	<u>1,712</u>
Presented as non-current assets	5,382	8,901	–
Presented as current assets	<u>3,356</u>	<u>9,461</u>	<u>1,712</u>
Total	<u>8,738</u>	<u>18,362</u>	<u>1,712</u>

Note: In previous years, the Group has entered into two life insurance policies to insure each of Mr. Lam and Ms. Wong and paid single premium of USD546,448 (equivalent to approximately HK\$4,262,000), in aggregate, to a bank at inception. During the year ended 31 December 2016, the Group entered into the third life insurance policy to insure Ms. Wong and paid single premium of USD428,672 (equivalent to approximately HK\$3,344,000) to a bank at inception. Under these policies, the Group is the beneficiary and policy holder and the aggregate insured sum is USD3,500,000. The Group can, at any time, withdraw cash based on the account value of these policies ("Account Value") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of these policies. If withdrawal is made during the surrender period stated in these policies (i.e. between 1st and 15th to 18th policy year), there is a specified amount of surrender charge deducted from Account Value. The insurance companies will pay the Group a guaranteed interest rate from 3.6% to 4.8% per annum for the first to three years and a variable return per annum afterwards (with guaranteed minimum interest rate of from 2% to 3% per annum) during the effective period of the policies.

At the inception date, the gross premium paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policies. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policy and the deposit placed is carried at amortised cost using the effective interest method.

The directors of the Company consider that the Group will not terminate the policies nor withdraw cash prior to the end of the surrender period and the expected life of the policies remained unchanged since their initial recognition. The balance of the deposits of life insurance policies is denominated in USD, being a currency other than the functional currency of the relevant group entity.

17. AMOUNT DUE FROM/TO A CONTROLLING SHAREHOLDER/A RELATED PARTY

The Group

Amount due from a controlling shareholder

Details of amount due from a controlling shareholder, which are non-trade nature, unsecured, interest-free and repayable on demands, are as follows:

Name	As at		Maximum amount outstanding		
	1 January	As at 31 December		During the year	
	2015	2015	2016	ended 31 December	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				HK\$'000	HK\$'000
Mr. Lam	2,026	8,618	2,361	16,557	19,040

Amount due to a related party

Details of amount due to a related party, which are trade nature, are as follow:

Name	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Kwok Tai Cleaning Service Company Limited ("Kwok Tai") (note)	80	11

Note: Kwok Tai is 100% owned by brother of Mr. Lam. The credit period for purchase of goods is 60 days. The following is an ageing analysis of trading balances with the related party presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
0 – 30 days	40	11
31 – 60 days	40	–
	80	11

The Company*Amount due from a controlling shareholder*

As at 31 December 2016, the Company has an amount due from a controlling shareholder of HK\$419,000 which is non-trade nature, unsecured, interest-free and repayable on demand.

Amount due to a related party

As at 31 December 2016, the Company has an amount due to Lapco of HK\$6,570,000 which is non-trade nature, unsecured, interest-free and repayable on demand.

18. PLEDGED BANK BALANCES/BANK BALANCES AND CASH

Pledged bank balances represents balances pledged to banks to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carried with prevailing market interest rate ranging from 0.01% to 2.50% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 2.50% per annum.

19. TRADE PAYABLES

The credit period is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Trade payables:		
0 – 30 days	1,491	1,340
31 – 60 days	1,263	1,029
61 – 90 days	583	234
Over 90 days	534	545
	3,871	3,148
	3,871	3,148

20. OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company
	As at 31 December		As at 31 December
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Salaries payables	23,953	20,356	–
Other payables and accrued charges	1,682	3,671	2,804
	25,635	24,027	2,804
	25,635	24,027	2,804

21. PROVISIONS

	Redundancy cost and annual leave	
	<i>HK\$'000</i>	
At 1 January 2015		3,880
Payment during the year		(1,725)
Provided for the year		4,338
		<hr/>
At 31 December 2015		6,493
Payment during the year		(6,963)
Provided for the year		6,092
Reversal during the year		(418)
		<hr/>
At 31 December 2016		<u>5,204</u>
	As at 31 December	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Presented as non-current liabilities	1,768	1,748
Presented as current liabilities	4,725	3,456
	<hr/>	<hr/>
	<u>6,493</u>	<u>5,204</u>

The Group provides for the probable future redundancy cost expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from the dismissal of redundancy up to the end of each reporting period.

22. BANK BORROWINGS

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Secured bank overdrafts	1,895	3,950
Secured bank borrowings:		
Term loans	13,991	14,193
Loans from factoring of trade receivables with full recourse	54,448	30,640
	<u>70,334</u>	<u>48,783</u>
Carrying amounts repayable*:		
Within one year	58,366	37,156
More than one year, but not exceeding two years	2,083	2,519
More than two years, but not more than five years	4,981	4,764
More than five years	4,904	4,344
	<u>70,334</u>	<u>48,783</u>
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	<u>(70,334)</u>	<u>(48,783)</u>
Amounts shown under non-current liabilities	<u>-</u>	<u>-</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2015 and 2016, bank borrowings of nil and HK\$2,223,000 are unguaranteed.

The banking facilities were secured and/or guaranteed by:

- (i) the pledged bank balances of HK\$9,280,000 and HK\$9,080,000 as at 31 December 2015 and 2016, respectively;
- (ii) payments for life insurance policies as disclosed in note 16;
- (iii) four properties and each property is owned by Ms. Wong, CCE Limited, a company owned by Mr. Lam, LES Limited, a company owned by Mr. Lam and CCT Limited, a company owned by Ms. Wong;
- (iv) two properties and each property is owned by CCE Limited and Source Mega Inc. Limited ("Source Mega"), which is owned by Ms. Wong;
- (v) unlimited corporate guarantee provided by certain entities comprising of the Group and Source Mega;
- (vi) unlimited personal guarantee provided by the Controlling Shareholders;
- (vii) project proceeds from certain service contracts of the Group; and
- (viii) the pledge of the Group's trade receivables with aggregate values of approximately HK\$80,138,000 and HK\$65,400,000 as at 31 December 2015 and 2016, respectively.

The directors of the Company consider that the pledge of properties by Ms. Wong and related companies, personal guarantee by the Controlling Shareholders and corporate guarantee from a related company will be released upon the Listing.

The bank borrowings are at floating rate which carry interest in Hong Kong Dollar Prime Rate plus a spread.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Effective interest rate per annum:		
Floating-rate borrowings	2.25%–6.25%	2.25%–5.25%

23. DEFERRED TAX LIABILITIES

The following is the major deferred tax liability recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation HK\$'000
At 1 January 2015	2,261
Charge to profit or loss (<i>note 11</i>)	600
At 31 December 2015	2,861
Charge to profit or loss (<i>note 11</i>)	729
At 31 December 2016	3,590

At 31 December 2016, the Group has unused tax loss of HK\$2,001,000 available for offset against future profits which are subject to the confirmation from Hong Kong Inland Revenue Department. No deferred tax asset has been recognised due to unpredictability of future profit streams. Unused tax losses may be carried forward indefinitely.

24. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Analysed for reporting purposes as:		
Current liabilities	10,370	11,258
Non-current liabilities	14,623	18,905
	24,993	30,163

The Group has leased certain of its motor vehicles under finance leases. The lease terms were ranged from three to five years for the Track Record Period. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.35% to 3.00% per annum and 1.35% – 3.00% per annum as at 31 December 2015 and 2016, respectively.

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December		As at 31 December	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under finance leases payable:				
Within one year	10,975	12,164	10,370	11,258
Within a period of more than one year but not more than two years	7,678	10,366	7,255	9,837
Within a period of more than two years but not more than five years	7,842	9,453	7,368	9,068
	<u>26,495</u>	<u>31,983</u>	<u>24,993</u>	<u>30,163</u>
Less: future finance charges	<u>(1,502)</u>	<u>(1,820)</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u>24,993</u>	<u>30,163</u>	<u>24,993</u>	<u>30,163</u>
Less: Amount due for settlement with 12 months (shown under current liabilities)			<u>(10,370)</u>	<u>(11,258)</u>
Amount due for settlement after 12 months			<u>14,623</u>	<u>18,905</u>

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets, corporate guarantee provided by a subsidiary of the Group and personal guarantee provided by Mr. Lam or Ms. Wong.

The directors of the Company consider that the personal guarantee provided by Mr. Lam will be released upon the Listing.

25. ISSUED SHARE CAPITAL

The Group

The issued share capital as at 1 January 2015 and 31 December 2015 represented the combined share capital of Lapco, Shiny Glory and Shiny Hope.

The issued share capital as at 31 December 2016 represented the combined share capital of the Company and Sharp Idea.

The Company

On 12 August 2016, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each. Upon its incorporation, 1 new share of HK\$0.01 was allotted and issued to the subscriber and was transferred to Gold Cavaliers at nominal value on the same day.

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 12 August 2016 (date of incorporation) and 31 December 2016	10,000,000,000	100,000
Issued and fully paid:		
At 12 August 2016 (date of incorporation) and 31 December 2016	1	-

26. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Within one year	987	1,161
In the second to fifth year inclusive	1,324	496
	<u>2,311</u>	<u>1,657</u>

The above operating lease payments represent rental payable by the Group for office premises for the Track Record Period.

Leases and rentals are negotiated and fixed for a term of two to three years.

In addition, Golden Field Services Limited ("Golden Field"), a company owned by Mr. Lam, has signed lease agreements on the Group's behalf for premises which are occupied by the Group. The operating lease commitments are not included in the above.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 22, and equity of the Group, comprising issued share capital, other reserve and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		The Company
	As at 31 December		As at 31 December
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	123,953	100,360	419
Financial liabilities			
Amortised cost	75,967	55,613	9,374
Obligations under finance leases	24,993	30,163	–

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, amount due from a controlling shareholder, pledged bank balances, bank balances and cash, trade payables, other payables and accrued charges, amount due to a related party, bank borrowings and obligations under finance leases. The Company's financial instruments include amount due from a controlling shareholder, other payables and accrued charges and amount due to a related party. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

As at 31 December 2015 and 2016, the pledged bank balances of HK\$9,280,000 and HK\$9,080,000, respectively, and bank balances of HK\$672,000 and HK\$511,000, respectively, are denominated at Renminbi ("RMB") and payments for life insurance policies of HK\$4,395,000 and HK\$7,685,000, respectively, are denominated at USD. RMB and USD are the currencies other than the functional currencies of the respective group entities.

Since the exchange rate of HK\$ is pegged with USD, the management of Group does not expect any significant movements in the USD/HK\$ exchange rates. Thus, there is no sensitivity analysis on USD denominated financial assets.

The sensitivity analysis includes only the outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period. Sensitivity analysis of strengthening 10% in functional currency of the entities comprising the Group (i.e. HK\$) against RMB resulted a decrease in post-tax profit of HK\$831,000 and HK\$801,000 during the year ended 31 December 2015 and 2016, respectively. For a 10% weakening of HK\$ against RMB there would be an equal and opposite impact on the results.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligations under finance leases (note 24).

The Group is also exposed to cash flow interest rate risk in relation to the payments for life insurance policies (note 16), pledged bank balances and bank balances (note 18) as well as floating-rate bank borrowings (note 22) as at 31 December 2015 and 2016.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate arising from the Group's bank borrowings or other market interest rate from pledged bank balances and payments for life insurance policies.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income or expenses on payments for life insurance policies, pledged bank balances, bank balances and bank borrowings, hence sensitivity analysis is not presented.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, payments for life insurance policies, amount due from a controlling shareholder, pledged bank balances and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of each reporting period.

The Group's customers are mainly government departments/organisations and thus credit risk is considered to be low. Except for the customers of government departments/organisations which the management of the Group considers are of good credit quality, management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risks with exposure limited to certain customers. Top two customers amounting to HK\$80,138,000 and HK\$65,400,000, respectively, comprised approximately 93% and 90% of the Group's trade receivables as at 31 December 2015 and 2016. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 December 2015 and 2016, the Group has concentration of credit risk in respect of amount due from a controlling shareholder. In order to minimise the credit risk on amount due from a controlling shareholder, the Group's management continuously monitors the settlement status of the controlling shareholder and the level of exposure to ensure that follow-up action is taken to recover overdue debts, if any. Under such circumstances, the Group's management considers that the Group's credit risk is not material.

The credit risk for payments for life insurance policies, pledged bank balances and bank balances is considered as not significant as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Within 1 year HK\$'000	Within 1 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
The Group						
<u>As at 31 December 2015</u>						
Non-derivative financial liabilities						
Trade payables	N/A	-	3,871	-	3,871	3,871
Other payables and accrued charges	N/A	243	1,439	-	1,682	1,682
Amount due to a related party	N/A	-	80	-	80	80
Bank borrowings	4.70	70,334	-	-	70,334	70,334
Obligations under finance leases	1.95	-	10,975	15,520	26,495	24,993
		<u>70,577</u>	<u>16,365</u>	<u>15,520</u>	<u>102,462</u>	<u>100,960</u>
<u>As at 31 December 2016</u>						
Non-derivative financial liabilities						
Trade payables	N/A	-	3,148	-	3,148	3,148
Other payables and accrued charges	N/A	-	3,671	-	3,671	3,671
Amount due to a related party	N/A	-	11	-	11	11
Bank borrowings	4.38	48,783	-	-	48,783	48,783
Obligations under finance leases	1.92	-	12,164	19,819	31,983	30,163
		<u>48,783</u>	<u>18,994</u>	<u>19,819</u>	<u>87,596</u>	<u>85,776</u>
The Company						
<u>As at 31 December 2016</u>						
Other payables and accrued charges	N/A	-	2,804	-	2,804	2,804
Amount due to a related party	N/A	6,570	-	-	6,570	6,570
		<u>6,570</u>	<u>2,804</u>	<u>-</u>	<u>9,374</u>	<u>9,374</u>

The amount included above for non-derivative financial liabilities bear variable interest instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 December 2015 and 2016, the aggregate carrying amount of these bank borrowings amounted to HK\$68,439,000 and HK\$44,833,000 respectively. Taking into account of the Group's financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayments. Management of the Group believes that such bank borrowings of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	Within 1 year HK\$'000	Within 1 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:						
As at 31 December 2015	4.70	57,499	7,848	5,440	70,787	68,439
As at 31 December 2016	4.38	33,894	7,982	4,818	46,694	44,833

Fair value of financial instruments

Fair value

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

29. RESERVE OF THE COMPANY

	Accumulated loss HK\$'000
At 12 August 2016 (date of incorporation)	–
Loss and total comprehensive expense for the period	(7,243)
At 31 December 2016	(7,243)

30. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the Group settled dividend to controlling shareholders of approximately HK\$20,800,000 through the Group's current account with the controlling shareholder.

Additions to plant and equipment of approximately HK\$11,757,000 and HK\$17,543,000 for the years ended 31 December 2015 and 2016, respectively, were made under the finance leases.

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Total building management fee, rent and rates paid or payable to:		
CCT Limited	235	343
Source Mega Inc. Limited	176	296
LES Limited	199	288
	<u> </u>	<u> </u>
Subcontracting fee paid or payable to Kwok Tai	656	463
	<u> </u>	<u> </u>

During the years ended 31 December 2015 and 2016, Golden Field has entered into tenancy agreements for the premises occupied by the Group. The total rental expenses paid and payable to the landlords under the tenancy agreements entered into by Golden Field are as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Golden Field	1,160	720
	<u> </u>	<u> </u>

The Group has operating lease commitments with related parties as follows:

	As at 31 December	
	2015	2016
	HK\$'000	HK\$'000
Within one year	797	797
In the second to fifth year inclusive	1,188	391
	<u> </u>	<u> </u>
	<u>1,985</u>	<u>1,188</u>

Details of the balances with a controlling shareholder at the end of each reporting period are disclosed in the combined statements of financial position and note 17.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the years ended 31 December 2015 and 2016 were as follows:

	Year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
Short-term benefits	2,476	3,453
Post-employment benefits	58	72
	<u>2,534</u>	<u>3,525</u>

32. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

The contributions paid and payable to the scheme by the Group are disclosed in notes 9 and 10.

33. CONTINGENT LIABILITIES

As at 31 December 2015 and 2016, performance guarantee of approximately HK\$48,997,000 and HK\$50,730,000, respectively, were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the service contracts. The performance guarantee were granted under the banking facilities with details as set out in note 22.

At the end of each reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at			Principal activities	Notes
				31 December 2015	2016	date of this report		
Sharp Idea	The BVI 1 April 2016	Hong Kong	USD1,000	N/A	100%	100%	Investment holding	(a)
Lapco	Hong Kong 14 May 1999	Hong Kong	31 December 2015: HK\$5,200,000 31 December 2016: HK\$5,800,000	100%	100%	100%	Provision of cleaning services in Hong Kong	(b)
Shiny Glory	Hong Kong 30 November 1990	Hong Kong	HK\$5,000,000	100%	100%	100%	Provision of cleaning services in Hong Kong	(b)
Shiny Hope	Hong Kong 15 June 2006	Hong Kong	HK\$1	100%	100%	100%	Provision of transportation services in Hong Kong	(b)

All the companies comprising the Group have adopted 31 December as their financial year end date.

Notes:

- (a) No statutory audited financial statements have been prepared for Sharp Idea since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of Lapco, Shiny Glory and Shiny Hope for the years ended 31 December 2015, which are prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by HKICPA, were audited by Michael M.C. Chan & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong.

The statutory financial statements of Lapco, Shiny Glory and Shiny Hope for the year ended 31 December 2016, were prepared in accordance with HKFRSs issued by HKICPA and were audited by us.

35. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, including the Completion of Reorganisation in June 2017 as disclosed in note 1, subsequent events of the Group are detailed as below.

On 24 June 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Resolutions of our Shareholders" in Appendix IV of the Prospectus. It was resolved, among other things, conditional upon the share premium account of the Company being credited as a result of the share offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$3,199,996.80 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 319,999,680 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 24 June 2017.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 December 2016.

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 the Group for each of the two years ended 31 December 2015 and 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group as if the Share Offer had taken place on 31 December 2016.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2016 or any future date following the Share Offer.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

			Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 per Share	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 per Share
Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 per Share HK\$ (Note 3)	
Based on Share Offer Price of HK\$0.5 per Share	<u>35,063</u>	<u>26,883</u>	<u>61,946</u>	<u>0.15</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Share Offer are based on 80,000,000 New Shares at the Share Offer Price of HK\$0.5 per New Share, after deduction of the underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss prior to 31 December 2016.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 December 2016 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Lapco Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lapco Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 December 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer of the Company (the "Share Offer") on the Group's financial position as at 31 December 2016 as if the Share Offer had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the two years ended 31 December 2015 and 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM 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 (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 June 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 August 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its memorandum of association (the “**Memorandum**”) and its articles of association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares, respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 June 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the

provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them, respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the 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), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition

to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his

office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or

warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them, respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has

complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares

on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraphs headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**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 12 August 2016. Our Company has established its principal place of business in Unit No. 301A, 3/F, Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 September 2016. Mr. TAM Yiu Shing, Billy (譚耀誠) has been appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and our constitutional documents comprising the Memorandum and Articles. A summary of certain parts of our constitutional documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of incorporation was HK\$100,000,000 divided into 10,000,000,000 shares of par value of HK\$0.01 each.

- (a) On 12 August 2016, one share of a par value of HK\$0.01 was allotted and issued nil paid to the subscriber, an Independent Third Party, which was transferred to Gold Cavaliers for nil consideration on the same date.
- (b) On 14 June 2017, Champion Success transferred all the issued shares held by it in Gold Cavaliers by way of gift to Max Super as trustee of the Lam Family Trust.
- (c) Our Company entered into a share swap agreement with Champion Success and Magic Pioneer whereby:
 - (i) our Company acquired from Champion Success 800 ordinary shares in Sharp Idea representing 80% of the issued share capital of Sharp Idea;
 - (ii) our Company acquired from Magic Pioneer 200 ordinary shares in Sharp Idea, representing 20% of the issued share capital of Sharp Idea;
 - (iii) in exchange for the 1,000 ordinary shares in Sharp Idea, our Company at the direction of Champion Success and Magic Pioneer credited as fully paid one nil paid Share in our Company held by Gold Cavaliers and issued 299 and 20 fully paid Shares, respectively to Gold Cavaliers and Profound Wellness. Immediately after this share swap, our Company is owned as to approximately 93.75% (300 Shares) by Gold Cavaliers and as to approximately 6.25% (20 Shares) by Profound Wellness.

- (d) After the aforesaid transactions under the share swap agreement each of our operating subsidiaries became indirect wholly-owned subsidiaries of our Company.
- (e) Under the Share Offer, 80,000,000 Shares representing approximately 20% of the enlarged issued share capital of our Company will be issued to the public, the professional, institutional and other investors.
- (f) Assuming the Placing and the Public Offer have become unconditional and the issue of Shares has been made pursuant thereto, a sum of HK\$3,199,996.80 standing to the credit of the share premium account will be applied in paying up in full 319,999,680 Shares for allotment and issue to Gold Cavaliers and Profound Wellness, *pro rata*, to enable Gold Cavaliers to maintain its shareholding in our Company at approximately 75% of the enlarged issued share capital of our Company and to enable the sales of Shares by Profound Wellness as described in (g) below (the “**Capitalisation Issue**”).
- (g) Under the Share Offer, 20,000,000 Sale Shares representing approximately 5% of the enlarged issued share capital of our Company will be sold to the professional, institutional and other investors.
- (h) Immediately following the Share Offer and the Capitalisation Issue, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid.

Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at a general meeting of our Company, no issue of Shares will be made which would effectively alter the control of our Company.

3. Resolutions of our Shareholders

Pursuant to the written resolutions of the then Shareholders of our Company passed on 24 June 2017, the following resolutions were passed by the Shareholders, pursuant to which, among other things:

- (a) our Company approved and adopted the Articles with effect from the Listing Date the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Division granting Listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, 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 prior to 8:00 a.m. (Hong Kong time) on the date on which dealings in the Shares on GEM first commence, in each case on or before the date falling 30 days after the date of the issue of this prospectus (or if such date is not a business day, the immediate preceding business day):

- (i) the Share Offer was approved and our Directors were authorised to allot and issue the New Shares pursuant to the Share Offer to rank *pari passu* with the existing Shares in all respects;
 - (ii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$3,199,996.80 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 319,999,680 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on the date of these resolutions, in proportion as nearly as possible without involving fractions to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of the Offer Size Adjustment Option or any other share option scheme of our Company or any Share allotted and issued in lieu of the whole or part of a dividend on the Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to 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, and to make or grant offers, agreements and options which might require the exercise of such power whether during the continuance of such mandate or thereafter, with a number not exceeding 20% of the total number of Shares of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, and such mandate to 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 in general meeting;

- (d) 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 Shares of our Company may be listed and which is recognised by the SFC or the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, and such mandate to 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 in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the number of Shares of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Further details on the Reorganisation are set forth in the paragraphs headed “History, development and Reorganisation — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report set out in Appendix I of this prospectus.

Other than the alterations described in the paragraphs headed “History, Development and Reorganisation — Reorganisation” in this prospectus, there has been no change in the share capital of our Company’s subsidiaries within the two years immediately preceding the date of this prospectus.

6. Shares repurchase mandate

A general unconditional mandate was granted to our Directors by our Shareholders pursuant to a written resolution passed on 24 June 2017 authorising them to exercise all powers of our Company to purchase Shares with a number not exceeding 10% of the total number of Shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next general meeting of our Company was required by the Articles or the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting varying, renewing or revoking such mandate, whichever is the earliest (the “**Repurchase Mandate**”).

There are certain restrictions under the GEM Listing Rules on the repurchase by our Company of its own securities, as follows:

(a) Shareholders' approval

All repurchases of securities must be approved in advance by an ordinary resolution of our Company whether by way of general mandate or by specific approval of particular transactions.

(b) Source of funds

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company or out of proceeds of an issue of New Shares made for the purpose of the repurchase, or out of our Company's share premium account or out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our 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 market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

In any event, our Directors do not intend to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares (i.e. up to 10% of the total number of Shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue) being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) Shares to be repurchased

Under the GEM Listing Rules, shares proposed to be repurchased by a company must be fully paid-up. Under Cayman Islands law, any shares repurchased may be treated as cancelled on repurchase or held as treasury shares.

(f) General

A company may not issue or announce an issue of new securities for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise, other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. In addition, a company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a company from repurchasing its securities on GEM if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage of that company as required by the Stock Exchange.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not presently aware of any circumstances which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

The GEM Listing Rules prohibit our Company from knowingly repurchasing securities of our Company from a "core connected person", that is, a Director, chief executive or Substantial Shareholder of our Company or any of our subsidiaries or any of their respective close associates (as defined in the GEM Listing Rules). A core connected person shall not knowingly sell his Shares to our Company on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) 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.

The GEM Listing Rules further prohibit a company from purchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

A company shall procure that any broker appointed by it to effect the repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchases made on behalf of the company as the Stock Exchange may request.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts


The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:



- (a) the Deed of Non-competition;
- (b) the Deed of Indemnity;
- (c) the share swap agreement dated 14 June 2017 entered into amongst Champion Success, Magic Pioneer and our Company, pursuant to which Champion Success and Magic Pioneer transferred 800 and 200 shares in Sharp Idea, respectively held by them, together representing the entire issued share capital of Sharp Idea, to our Company. In exchange therefor, our Company, at the direction of Champion Success and Magic Pioneer, credited as fully paid one nil paid Share in our Company held by Gold Cavaliers, issued 299 and 20 fully paid Shares, respectively to Gold Cavaliers and Profound Wellness. Immediately after this share swap, our Company was owned as to approximately 93.75% (300 shares) by Gold Cavaliers and as to approximately 6.25% (20 shares) by Profound Wellness; and
- (d) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trade marks

Our Group has registered the following Trademarks with the Trade Marks Registry of Hong Kong:

Trademark	Class number	Name of applicant	Application number	Duration of Validity
	31, 37, 39, 41, 44	Lapco Service	303784113	23 May 2016 to 22 May 2026

Trademark	Class number	Name of applicant	Application number	Duration of Validity
	31, 37, 39, 41, 44	Shiny Glory	303784122	23 May 2016 to 22 May 2026
	31, 37, 39, 41, 44	Lapco Service	303906630	20 September 2016 to 19 September 2026

(b) *Domain names*

As at the Latest Practicable Date, the following member of our Group had registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Lapco Service	www.lapco.com.hk	9 April 2008	10 April 2022
Shiny Glory	www.shinyglory.com.hk	20 October 2010	20 October 2021

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Disclosure of interests

(a) *Disclosure of interests of our Directors*

Save as disclosed in this prospectus, none of our Directors or their close associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of service contracts*

Each of Mr. Lam Pak Ling, Mr. Cai Weiming and Mr. Wong Tsz Chun, Jacky being all the executive Directors, has entered into a service agreement with our Company on 24 June 2017 for an initial term of three years commencing from the date of agreements and continuing thereafter until terminated by either party by giving not less than one month's notice in writing to the other. Each of these executive Directors is entitled to their respective director's fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Remuneration Committee.

The basic annual remuneration payable to each executive Director will be as follows:

Name	Annual Remuneration <i>(HK\$'000)</i>
Mr. Lam Pak Ling	1,620
Mr. Cai Weiming	415
Mr. Wong Tsz Chun, Jacky	272

Mr. Choi Chung Yin, the non-executive Director, has entered into a service agreement with our Company on 24 June 2017, which is for a term of three years commencing from the date of agreement, provided that either our Company or Mr. Choi may terminate such appointment at any time by giving at least one month's notice in writing to the other. Mr. Choi is entitled to a annual director's fee of HK\$240,000.

Each of Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Mr. Ho Kin Wai, the independent non-executive Directors, has entered into a service agreement with our Company on 24 June 2017. Each service agreement is for a term of three years commencing from the date of agreements, provided that either our Company or our independent non-executive Directors may terminate such appointment at any time by giving at least one month's notice in writing to the other. The basic annual remuneration payable to each of our independent non-executive Directors will be as follows:

	Annual Remuneration <i>(HK\$'000)</i>
Mr. Mak Kwok Kei	120
Ms. Lam Kit Yan	120
Mr. Ho Kin Wai	120

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

During each of the two years ended 31 December 2016, the aggregate remuneration paid and benefits in kind granted by our Group to our Directors were approximately HK\$1.5 million and HK\$1.9 million, respectively. Under the arrangement presently in force, the aggregate amount of directors' remunerations (excluding discretionary bonus, if any) for the year ending 31 December 2017 is estimated to be approximately HK\$2.7 million.

Our Company's policies concerning remuneration of the executive Directors are:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on their experience, responsibilities, workload and the time devoted to the Group, market level of remuneration and compensation paid by comparable companies, and the performance of our Group; and
- (ii) non-cash benefits may be provided to the Directors under their remuneration package.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the two years ended 31 December 2015 and 2016, respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management affairs of any member of our Group (b) as an inducement to join or upon joining any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in the two years ended 31 December 2015 and 2016, respectively.

(d) *Interests of Directors and chief executive in our share capital*

Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations immediately following completion of the Share Offer and the Capitalisation Issue, the interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred therein, or

which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once our Shares are listed, will be as follows:

Long position in our Shares:

Name of Director	Capacity/nature of interest	Number of Shares	Percent of shareholding
Mr. Lam	Settlor and beneficiary of a discretionary trust ^(Note)	300,000,000	75%

Note: All the 300,000,000 Shares are beneficially owned by Gold Cavaliers. Gold Cavaliers is held as to approximately 78.67% (7,867 shares) by Max Super acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves. Mr. Lam is our Controlling Shareholder and an executive Director of our Company. By virtue of the SFO, Mr. Lam is thus deemed to be interested in the Shares in which Gold Cavaliers is interested.

Long position in associated corporation of our Company:

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Mr. Lam	Gold Cavaliers	Settlor and beneficiary of a discretionary trust	7,867	78.67%

(e) Agency fees or commissions received

Further details on the agency fees or commissions received by the Underwriters are set forth in the paragraphs headed "Underwriting — Underwriting arrangements and expenses — Commission and expenses" in this prospectus.

(f) Related party transactions

During the two years ended 31 December 2015 and 2016, our Group was engaged in related party transactions as described in:

- (i) note 31 of the Accountants' Report set out in Appendix I to this prospectus; and
- (ii) the section headed "Continuing connected transactions" in this prospectus.

(g) *Disclaimers*

Save as disclosed in this prospectus:

- (i) taking no account of any Shares which may be taken up or acquired under the Share Offer, our Directors are not aware of any person who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (ii) none of our Directors and chief executive has for the purpose of Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO, any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the paragraphs headed “Other information — 10. Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (iv) no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the paragraphs headed “Other information — 10. Qualifications of experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

2. Interest discloseable under the SFO and Substantial Shareholders

So far as is known to our Directors, immediately following completion of the Share Offer and the Capitalisation Issue, the following persons will have an interest or a short position in the Shares or the 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, 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 any other members of our Group:

Long position in our Shares:

Name of Shareholder	Nature of interest	Number of Shares immediately after completion of the Capitalisation Issue and the Share Offer	Approximate percentage of interest in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Mr. Lam	Founder and beneficiary of a discretionary trust	300,000,000	75%
Ms. Wong	Founder and beneficiary of a discretionary trust	300,000,000	75%
Max Super	Interest in a controlled corporation and trustee of a discretionary trust	300,000,000	75%
Gold Cavaliers	Registered owner (Please refer to Note 1)	300,000,000	75%
Magic Pioneer	Please refer to Note 2	63,990,000	16%

Notes:

1. Gold Cavaliers is held as to approximately 78.67% by Max Super acting as the trustee of the Lam Family Trust. The Lam Family Trust was established by Mr. Lam and Ms. Wong as the settlors on 8 August 2016 as a discretionary trust for the benefit of themselves.
2. Magic Pioneer is indirectly interested in our Company through its direct interest of approximately 21.33% in Gold Cavaliers, and is thus considered to be effectively interested in our Company as to approximately 16%. Magic Pioneer is owned as to 34% by Earnmill Holdings Limited, as to 33% by Croydon Capital Advisors Limited and as to 33% by Xiong Jianrui.

OTHER INFORMATION**1. Estate duty, tax and other indemnities***Estate Duty*

Pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006 in Hong Kong, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong in which the companies comprising our Group are incorporated. There are currently no taxes in the form of estate duties under Cayman Islands law, and no estate tax is currently payable by persons who are not resident in the BVI with respect of any shares, debt obligations or other securities of a BVI company.

Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Deed of Indemnity

Indemnifiers have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide the following indemnities:

Under the Deed of Indemnity, the Indemnifiers shall jointly and severally indemnify and keep indemnified each of our Company and our subsidiaries against, among other things, (i) any depletion in or diminution in value of its assets as a direct or indirect consequence of, and in respect of any amount which any of our Company and our subsidiaries may hereafter become liable to pay, resulting from any taxation under sections 35, 42 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong); or (ii) taxation falling on any of our Company and our subsidiaries resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) prior to the Deed of Indemnity becomes unconditional or any event occurring or deemed to occur on or before such date whether alone or in conjunction with any other event whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company including any and all taxation resulting from the receipt by our Company and our subsidiaries of any amount paid

by the Indemnifiers under the Deed of Indemnity; or (iii) all the property claims (as defined therein) suffered or incurred by any of our Company or our subsidiaries, including but not limited to, all losses or damages suffered or incurred by any of our Company or our subsidiaries arising from, or in connection with, the affected properties (as defined therein); (iv) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any taxation or taxation claim or property claim or litigation liabilities, non-compliance liabilities (as defined therein) or any other claims which are the subject of the indemnities therein; (v) all the costs (including legal costs, which shall be indemnified at the time incurred), expenses, losses and/or other liabilities (including all deductible amount under any insurance policy) incurred by our Company and our subsidiaries in relation with those outstanding or unsettled legal and arbitration proceedings, investigations and/or claims, the cause of action of or the event or incident leading to, which occurs prior to the Deed of Indemnity becoming unconditional, to the extent that such costs (including legal costs, which shall be indemnified at the time incurred), expenses, losses and/or other liabilities (including all deductible amount under any insurance policy) exceed the relevant amounts of provisions made by our Company (if any) in its audited accounts for the two years ended 31 December 2016 and are not otherwise indemnified by any other parties under any contractual obligations; and (vi) all claims, proceedings, judgments, losses, liabilities, fines, penalties, payments, damages and any associated costs suffered by or incurred by any of our Company or our subsidiaries as a result of, directly or indirectly in connection with non-compliance liabilities (as defined therein).

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others, (i) provision has been made for such taxation in the audited accounts of our Company and our subsidiaries for the two years ended 31 December 2016; (ii) the taxation falling on our Company and our subsidiaries in respect of any accounting period commencing on or after 1 January 2017 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers, our Company, our subsidiaries or any of them otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (iii) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the Deed of Indemnity becomes unconditional or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Deed of Indemnity becomes unconditional with retrospective effect.

2. Litigations

Save as disclosed in the paragraphs headed “Business — Litigations and claims” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

Octal Capital Limited has made an application on behalf of our Company to the Stock Exchange for Listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

The sponsor's fee in relation to the Listing is approximately HK\$4.2 million.

4. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules.

5. Agency fees or commissions received

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus 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 its subsidiaries.

6. Preliminary expenses

The preliminary expenses payable by our Company are estimated to be about HK\$72,000.

7. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Octal Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

8. Registration procedures

The register of members of our Company will be maintained in Cayman Islands by Conyers Trust Company (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong 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 Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

9. Taxation of holders of Shares

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

10. Qualifications of experts

The following are the respective qualifications of the experts who have given opinion or advice which are included in this prospectus:

Name	Qualification
Octal Capital Limited	a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO
Conyers Dill & Pearman	Legal adviser to our Company as to the Cayman Islands law
Deloitte Touche Tohmatsu	Certified Public Accountants
Frost & Sullivan Limited	Industry Consultant
Ms. Queenie W.S. Ng	Barrister-at-Law in Hong Kong

11. Consents of experts

Each of the experts named in the paragraphs headed "10. Qualifications of experts" under this section of this Appendix IV has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or certificates and/or opinions and/or references to its name (as the case may be) included in the form and context in which they are, respectively included.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and Rule 14.25 of the GEM Listing Rules. In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

14. No material adverse change

Save for the estimated non-recurring Listing expenses, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in financial or trading position or prospects of our Group since 31 December 2016, being the date on which the latest financial information of our Group was reported in the Accountants' Report included in Appendix I to this prospectus.

15. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (v) no interruptions in the business of our Group which had a material adverse effect on the financial position of our Group; and
 - (vi) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares or debenture in our Company.

- (b) None of the persons whose names are listed in the paragraphs headed “10. Qualifications of experts” under this section of this appendix:
- (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (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 within 12 months preceding the date of this prospectus.
- (e) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (f) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (g) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

16. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out below:

Name:	Profound Wellness Holdings Limited (which is beneficially owned as to approximately 66.7% by Mr. Lam and as to approximately 33.3% by Ms. Wong, respectively)
Place of incorporation:	British Virgin Islands
Date of incorporation:	11 August 2016
Registered office:	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110
Number of the Sale Shares to be sold:	20,000,000 Shares

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) the written consents referred to in “Other Information — 11. Consents of experts” in Appendix IV to this prospectus; (c) copies of the material contracts referred to in “Further Information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus; (d) the statement of particulars of the Selling Shareholder; and (e) the statement of adjustment in arriving at the figures set forth in the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Patrick Mak & Tse at 16th Floor, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the Accountants’ Report of our Group for the two years ended 31 December 2015 and 2016 from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of Sharp Idea and its subsidiaries for the two years ended 31 December 2015 and 2016;
4. the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
5. the statement of adjustment made by Deloitte Touche Tohmatsu in arriving at the figures set forth in Appendix I to this prospectus;
6. a copy of the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
7. the report issued by Frost & Sullivan, the text of which is summarised in the section headed “Industry overview” in this prospectus;
8. the Hong Kong legal opinions issued by our Hong Kong Legal Counsel in respect of our general matters;

9. the material contracts referred to in “Further Information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
10. the service agreements and the letters of appointment referred to in “Further information about Directors, management, staff and experts — 1. Disclosure of interests — (b) Particulars of service contracts” in Appendix IV to this prospectus;
11. the written consents referred to in “Other information — 11. Consents of experts” in Appendix IV to this prospectus;
12. the Companies Law; and
13. the statement of particulars of the Selling Shareholder.