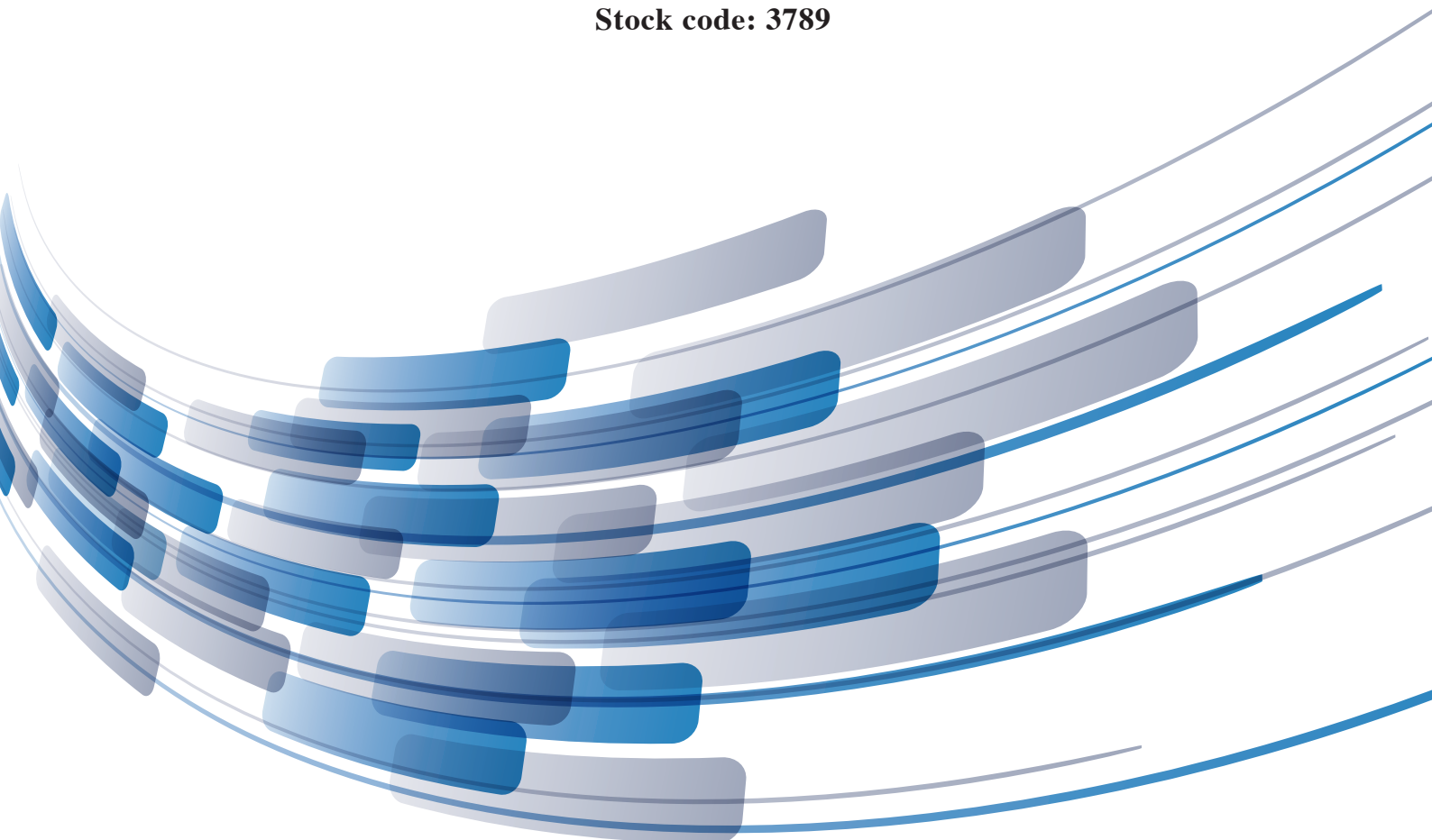


# ROYAL DELUXE HOLDINGS LIMITED 御佳控股有限公司

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

Stock code: 3789



## SHARE OFFER

Sponsor

**FRONTPAGE** 富比

Joint Bookrunners and Joint Lead Managers

**FRONTPAGE** 富比

 **華金國際**  
Huajin International

 Pacific  
Foundation

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## IMPORTANT

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

# ROYAL DELUXE HOLDINGS LIMITED

## 御佳控股有限公司

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

### SHARE OFFER

<b>Number of Offer Shares</b>	<b>: 300,000,000 Shares (comprising 216,000,000 new Shares and 84,000,000 Sale Shares)</b>
<b>Number of Public Offer Shares</b>	<b>: 30,000,000 Shares (including 3,000,000 Employee Reserved Shares) (subject to reallocation)</b>
<b>Number of Placing Shares</b>	<b>: 270,000,000 Shares, comprising 186,000,000 new Shares and 84,000,000 Sale Shares (subject to reallocation)</b>
<b>Maximum Offer Price</b>	<b>: HK\$0.67 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollar and subject to refund)</b>
<b>Nominal Value</b>	<b>: HK\$0.01 per Share</b>
<b>Stock Code</b>	<b>: 3789</b>

#### Sponsor

**FRONTPAGE 富比**

**Frontpage Capital Limited**

#### Joint Bookrunners and Joint Lead Managers

**FRONTPAGE 富比**

 **華金國際**  
Hua Jin International

 **Pacific Foundation**

Hong Kong Exchanges and Clearing Limited, the Stock Exchange 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 section 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). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) but in any event no later than Monday, 6 February 2017. The Offer Price will be not more than HK\$0.67 per Offer Share and is expected to be not less than HK\$0.53 per Offer Share, unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.67 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.67 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company (for itself and on behalf of the Vendor), may extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the extension or reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in The Standard (in English) and Sing Tao Daily (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.royal-deluxe.com](http://www.royal-deluxe.com). Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) on or before Monday, 6 February 2017, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed "Risk Factors" of this prospectus. The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" of this prospectus.

25 January 2017

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

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If there is any change in the following expected timetable, we will issue an announcement on the respective website of our Company at [www.royal-deluxe.com](http://www.royal-deluxe.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

2017

Latest time for lodging <b>PINK</b> Application Forms at Unit A, 26th Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong	12:00 noon on Friday, 27 January
Application lists open <sup>(2)</sup>	11:45 a.m. on Wednesday, 1 February
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms	12:00 noon on Wednesday, 1 February
Latest time for giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup>	12:00 noon on Wednesday, 1 February
Application lists close <sup>(2)</sup>	12:00 noon on Wednesday, 1 February
Expected Price Determination Date <sup>(3)</sup>	Thursday, 2 February
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of application in the Public Offer and the Employee Preferential Offering, and the basis of allocations of the Public Offer Shares and the Employee Reserved Shares, to be published (a) in The Standard (in English) and Sing Tao Daily (in Chinese); (b) on the website of our Company at <a href="http://www.royal-deluxe.com">www.royal-deluxe.com</a> <sup>(5)</sup> ; and (c) on the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before	Tuesday, 7 February
Announcement of results of allocations under the Public Offer and the Employee Preferential Offering (with successful applicant's identification document numbers, where appropriate) to be available on the Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (for further details, please refer to the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares – 10. Publication of results" in this prospectus) from	Tuesday, 7 February
Results of allocation in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID Number" function from	Tuesday, 7 February

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

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Despatch of Share certificates or deposit of the Share certificates into  
CCASS in respect of wholly or partially successful applications  
pursuant to the Public Offer and the Employee Preferential  
Offering on or before<sup>(6)(8)</sup> . . . . . Tuesday, 7 February

Despatch of refund cheques in respect of wholly or  
partially successful applications (if applicable) or  
wholly or partially unsuccessful applications pursuant to  
the Public Offer and the Employee Preferential Offering  
on or before<sup>(7)(8)</sup> . . . . . Tuesday, 7 February

Dealings in the Shares on the Stock Exchange expected to  
commence at 9:00 a.m. on . . . . . Wednesday, 8 February

*Notes:*

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 1 February 2017, the application lists will not open on that day. See “How to Apply for Public Offer Shares and Employee Reserved Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. The Price Determination Date is expected to be on or around Thursday, 2 February 2017 and, in any event, not later than Monday, 6 February 2017. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) by Monday, 6 February 2017, the Share Offer will not proceed and will lapse.
4. 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 and Employee Reserved Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
5. None of the website or any of the information contained on the website forms part of this prospectus.
6. Share certificates will only become valid at 8:00 a.m. on Wednesday, 8 February 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
8. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 February 2017 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates /refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the

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

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corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection. Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares – 13. Despatch/Collection of Share certificates and refund monies – Personal collection – (iii) If you apply via electronic application instructions to HKSCC" of this prospectus for details. Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed "How to Apply for Public Offer Shares and Employee Reserved Shares – 12. Refund of application monies" and "How to Apply for Public Offer Shares and Employee Reserved Shares – 13. Despatch/Collection of Share certificates and refund monies" of this prospectus. The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares and Employee Reserved Shares" of this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

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### IMPORTANT NOTICE TO INVESTORS

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

*No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Vendor, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person 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 should be read in conjunction with the full text of this prospectus. As it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety, and should be read in conjunction with the full text of this prospectus. Information contained in our website, located at [www.royal-deluxe.com](http://www.royal-deluxe.com), does not form part of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.*

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

### OVERVIEW

We are a major subcontractor, given our market share and the large number of players in the industry, specialising in providing formwork erection as well as related ancillary services in Hong Kong. According to the Ipsos Report, our Group accounted for about 9.7% of the total industry’s market share in Hong Kong for the financial year ended 31 March 2016, where there were over 740 subcontractors on the list of registered subcontractors under formworks category and gross output value (i.e. revenue generated) of the formwork works industry in Hong Kong was approximately HK\$4,994.2 million in 2015, representing 2.9% to the construction industry in Hong Kong. In addition to traditional timber formwork erection, we are capable of assembling system formwork, which are formwork made of aluminium or steel for both building construction and civil engineering projects.

Our formwork business started since 1994 and we have accumulated more than 22 years of experience. We have also participated in a number of large-scale construction projects. Through our continuous efforts in improving and refining our workmanship and construction management, we have developed our own building construction and coding process systems, which are registered with patents held under our Group.

Our direct customers are main contractors of building construction and civil engineering projects while our ultimate customers are owners of the projects, which include the Government, public transport operator, theme park and resort operator and property developers. The following table sets out our revenue generated from projects related to building construction and civil engineering:

	For the year ended 31 March						For the four months ended 31 July					
	2014		2015		2016		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Revenue</b>												
Building construction projects	58,399	18.3	103,666	36.0	246,514	51.2	78,188	53.8	78,238	51.4		
Civil engineering projects	259,888	81.7	183,994	64.0	235,429	48.8	67,247	46.2	74,108	48.6		
	<u>318,287</u>	<u>100.0</u>	<u>287,660</u>	<u>100.0</u>	<u>481,943</u>	<u>100.0</u>	<u>145,435</u>	<u>100.0</u>	<u>152,346</u>	<u>100.0</u>		

The following table sets out the revenue generated from the sector where our ultimate project employers belong to:

	For the year ended 31 March						For the four months ended 31 July					
	2014		2015		2016		2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Revenue</b>												
Public sector projects	264,180	83.0	190,317	66.2	244,709	50.8	67,247	46.2	93,986	61.7		
Private sector projects	54,107	17.0	97,343	33.8	237,234	49.2	78,188	53.8	58,360	38.3		
	<u>318,287</u>	<u>100.0</u>	<u>287,660</u>	<u>100.0</u>	<u>481,943</u>	<u>100.0</u>	<u>145,435</u>	<u>100.0</u>	<u>152,346</u>	<u>100.0</u>		



## SUMMARY

Our headquarters at Legend Tower, Kwun Tong is currently occupied by us under a tenancy agreement, which is going to expire in February 2018. To cater to the expansion of our management and administration team, the contemplated recruitment of four additional staff members for procurement, safety, IT and engineering, and to provide room for the expansion of our business operations, we need extra office space since our current headquarters is almost fully utilised. Despite the fact that we have incurred relatively minimal rental expenses for the headquarters, we plan to apply approximately HK\$45.0 million or approximately 41.7% of the net proceeds from the Share Offer based on the mid-point of the Offer Price range for the acquisition of office premises of around 4,000 sq. ft. in about 12 months following the Listing. Risks associated with the acquisition of office premises include possible depreciation of capital value of the office premises and lowering of our return on total assets and return on equity ratios, which may have an adverse effect on the valuation of our Company and Shareholders' investment return.

As at 30 November 2016, according to unaudited management accounts of our Group, amount due from Mr. Joseph Wang to our Group was approximately HK\$85,031,000. In order to settle the amount due from Mr. Joseph Wang, on 17 January 2017, our Company declared a dividend of HK\$128 million of which HK\$115.2 million and HK\$12.8 million will be paid to Wang K M (wholly-owned by Mr. Joseph Wang) and the other Shareholders, respectively. After offsetting the amount due from Mr. Joseph Wang and the net amount due from related parties and paying the balance of dividend in cash, our bank balances and cash will be reduced by approximately HK\$12.8 million to approximately HK\$13,712,000, based on our unaudited management accounts as at 30 November 2016. Given the low bank balances and cash position, our Company will need to raise fund through the Share Offer to facilitate the implementation of our future plans as discussed in the section headed "Future Plans and Use of Proceeds".

### Tenders submitted during the Track Record Period

During the Track Record Period, all of our projects were obtained through the process of tendering and all of our revenue was derived from projects obtained through tendering. The following table sets out the number of project bids, number of successful projects bids and our tender success rate during the Track Record Period:

	For the year ended 31 March			For the four months ended
	2014	2015	2016	31 July 2016
Number of tender invitations (Note)	147	177	210	87
Number of project bids	120	142	160	75
Number of successful project bids	4	4	4	1
Success rate (%)	3.3	2.8	2.5	1.3

Note: Only tenders with intended project sum exceeding HK\$10 million are included.

For our operation, our direct costs consist of cost of construction materials, direct labour, subcontracting charges and other direct cost. The following table sets out the breakdown of our direct costs during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Costs of construction										
materials	84,956	33.0	64,140	27.7	106,883	27.4	41,511	37.3	30,958	25.4
Direct labour	104,746	40.7	106,337	45.9	190,953	49.0	49,835	44.8	67,088	55.0
Subcontracting charges	39,540	15.4	38,698	16.7	57,932	14.9	11,799	10.6	17,230	14.1
Other direct cost	28,344	10.9	22,469	9.7	33,943	8.7	8,180	7.3	6,612	5.5
	<u>257,586</u>	<u>100.0</u>	<u>231,644</u>	<u>100.0</u>	<u>389,711</u>	<u>100.0</u>	<u>111,325</u>	<u>100.0</u>	<u>121,888</u>	<u>100.0</u>

## SUMMARY

During the Track Record Period, we also recognised other income, other gains and losses, amounting to approximately HK\$5,360,000, HK\$10,801,000, HK\$5,026,000 and HK\$3,423,000 for the years ended 31 March 2014, 2015, 2016 and the four months ended 31 July 2016, respectively, which mainly comprised income from sale of scrap materials and sundry income. We mainly sold used metal formwork materials as scrap since formwork in certain projects were tailor-made and may be unable to be reused in other projects. The sale of scrap materials amounted to approximately HK\$4,393,000, HK\$7,836,000, HK\$2,731,000 and HK\$695,000 for the years ended 31 March 2014, 2015, 2016 and the four months ended 31 July 2016, respectively.

The following table sets forth our gross profits and gross profit margins by business types and business sectors for the Track Record Period.

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000 (unaudited)	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Building construction projects	3,722	6.4	7,381	7.1	39,466	16.0	14,713	18.8	19,343	24.7
Civil engineering projects	56,979	21.9	48,635	26.4	52,766	22.4	19,397	28.8	11,115	15.0
	<u>60,701</u>	19.1	<u>56,016</u>	19.5	<u>92,232</u>	19.1	<u>34,110</u>	23.5	<u>30,458</u>	20.0

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000 (unaudited)	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Public sector projects	57,412	21.7	50,305	26.4	54,075	22.1	19,397	28.8	15,290	16.3
Private sector projects	3,289	6.1	5,711	5.9	38,157	16.1	14,713	18.8	15,168	26.0
	<u>60,701</u>	19.1	<u>56,016</u>	19.5	<u>92,232</u>	19.1	<u>34,110</u>	23.5	<u>30,458</u>	20.0

## OUR CUSTOMERS

Our direct customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong, including main contractors engaged by private property developers, theme park and resort operators for the construction of resort facilities, or developers employed by the Government or public transport operators for civil engineering projects.

For the three years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, the percentage of our Group's aggregate turnover attributable to our Group's largest customer was 44.3%, 53.7%, 40.8% and 27.1% for the corresponding periods, respectively, while the percentage of our Group's total turnover attributable to our five largest customers in aggregate was approximately 99.1%, 95.2%, 97.8% and 86.5%, respectively. During the Track Record Period, our Group has relied on Customer A, our largest customer for each of the year ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, contributed 44.3%, 53.7%, 40.8% and 27.1% of our total revenue, respectively. Due to the contra-charge arrangement with Customer A, Customer A was our second largest, largest, largest and third largest supplier for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, and accounted for 18.2%, 28.7%, 21.3% and 12.2% of our total purchases (excluding subcontracting charges incurred) for the year/period, respectively.

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## SUMMARY

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### OUR SUPPLIERS

Our suppliers primarily supply the following materials to us: (i) timber products, including facing panels, timber beams; (ii) metal formwork including steel and aluminium formwork components; (iii) metal scaffoldings and related equipment; and (iv) metalware products, such as tie bolts, nut and hand-held tools. We generally order construction materials on a project-by-project basis and we did not enter into any long-term contract with our suppliers. As at the Latest Practicable Date, there were approximately 89 suppliers on our list of approved suppliers, which is reviewed and updated regularly.

Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for 26.3%, 28.7%, 21.3% and 28.7% of our total construction materials costs for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. Construction materials costs incurred for our top five suppliers (excluding our subcontractors) accounted for 74.9%, 83.0%, 69.0% and 77.5% of our total construction materials costs for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively.

### MARKET SHARE

According to the Ipsos Report, our Group accounted for about 9.7% of the total industry's market share in Hong Kong for the financial year ended 31 March 2016, when there were over 740 subcontractors on the list of registered subcontractors under formworks category.

### PRICING STRATEGY

Our pricing is usually determined based on area of formwork, on the unit of m<sup>2</sup> measured with reference to SMM. Our Directors confirm that this pricing mechanism conforms to general market practice. Having said that, our quotation of formwork services usually has taken into account a number of factors, such as (i) the estimated number and cost of workers required; (ii) the shape and size of reinforced concrete structure and the repetitiveness of similar concrete structure; (iii) cost of formwork and falsework materials; (iv) duration of the project; (v) our working relationship with the main contractor in the past; (vi) quality of concrete finish required; (vii) our capacity; (viii) other specific requirements in the contract; and (ix) potential competition of the project and prevailing market condition. Our Directors consider that it is of utmost importance to estimate our quotation accurately as amount of workers and formwork materials may not directly relate to area of formwork only. For example, formwork of taller concrete wall normally costs higher per area than shorter concrete wall due to the difference in cost to build the falsework and if necessary, a construction joint. In addition, most of our construction projects in the private sector are lump sum contracts or remeasurement contracts with fixed unit prices and rates, and no prices or rates adjustment such that subsequent unexpected adverse fluctuation in price of budget overrun may result in diminished project return or even a loss.

### COMPETITIVE STRENGTHS

We believe we have stayed ahead of our competitors by having the following competitive strengths:

- Proven track record in handling various major construction projects
- Stable relationships with our construction materials suppliers and subcontractors
- Seasoned and competent management team and engineers
- Dedication in innovation and improvement of construction methods

### CORPORATE STRATEGIES

We have formulated the following business strategies to strengthen our position as an active and major formwork works subcontractor in Hong Kong:

- Strengthen our capacity and expand our market share

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## SUMMARY

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- Upgrade our management information system and enhance our overall efficiency
- Acquire permanent office space for our business expansion
- Exercise financial management to ensure sustainable growth and capital sufficiency

### RISK FACTORS

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

- Our business relies on successful tenders of formwork erection projects which are non-recurrent in nature, and there is no guarantee that our existing customers will provide us with new business or that we will secure new customers
- We have a concentrated customer base and any decrease in the number of projects with our five largest customers would adversely affect our operations and financial results
- Our top five suppliers account for a substantial portion of our purchases
- We rely on the availability of public sector projects in Hong Kong and any failure of our Group to secure public sector projects would adversely affect our operations and financial results
- We depend on our suppliers for timber and metal formwork materials, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price
- Our operations and results of operations would be adversely affected by the delay in commencement of public sector projects which is led by the toppling of funding proposals for public works due to, among other things, delay in approval for public works by the Legislative Council

A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus, and investors should read the entire section before deciding to invest in the Offer Shares.

### CONNECTED TRANSACTIONS

Prior to the Listing, our Group has entered into various transactions with First Land, GT Scaffolding and GT Material during the Track Record Period (i) to lease a property currently used by the Group as warehouse and back office; (ii) to rent metal scaffolds and necessary supporting equipment; and (iii) to purchase timber material, respectively. These transactions will continue after the Listing and constitute continuing connected transactions (as defined under the Listing Rules) of the Company. For details of the abovementioned continuing connected transactions, please refer to the section headed “Connected Transactions” to this prospectus.

### LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, there had been 84 employees’ compensation claims submitted to the Labour Department against our Group, 33 of which were fully settled while the remaining 51 outstanding claims are still ongoing. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group’s business.

As at the Latest Practicable Date, there were 19 outstanding civil litigations against our Group in relation to accidents which occurred during the Track Record Period, relating to which our Group had received the relevant summons and legal proceedings had been commenced. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group’s business.

## SUMMARY

Please refer to the section headed “Business – Litigation and potential claims” in this prospectus for further details.

### LEGAL AND REGULATORY COMPLIANCE

Our Directors have confirmed that, save as disclosed in the section headed “Business – Litigation and potential claims” in this prospectus, we had no material non-compliance of applicable laws and regulations in Hong Kong that would affect our Group’s operation and financial position during the Track Record Period and up to the Latest Practicable Date.

### SHAREHOLDER INFORMATION

Immediately following the completion of the Share Offer, Mr. Joseph Wang and Wang K M, which is beneficially and wholly-owned by Mr. Joseph Wang, will hold 801,600,000 Shares (representing 66.8% of the enlarged issued share capital of our Company). For the purposes of the Listing Rules, Mr. Joseph Wang and Wang K M are the Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details.

### SUMMARY FINANCIAL AND OPERATING INFORMATION

Our consolidated financial information has been prepared in accordance with HKFRSs. The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants’ Report in Appendix I to this prospectus.

*Consolidated statements of profit or loss and other comprehensive income*

	For the year ended 31 March			For the four months ended 31 July	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (unaudited)	2016 HK\$'000
Revenue	318,287	287,660	481,943	145,435	152,346
Direct costs	(257,586)	(231,644)	(389,711)	(111,325)	(121,888)
Gross profit	60,701	56,016	92,232	34,110	30,458
Other income, other gains and losses	5,360	10,801	5,026	664	3,423
Administration and other operating expenses	(17,397)	(25,622)	(33,126)	(9,787)	(11,490)
Finance costs	(1,545)	(1,108)	(2,134)	(682)	(1,070)
Profit before tax	47,119	40,087	61,998	24,305	21,321
Income tax expense	(7,953)	(5,817)	(12,207)	(4,010)	(3,282)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>	<b>39,166</b>	<b>34,270</b>	<b>49,791</b>	<b>20,295</b>	<b>18,039</b>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b> – Basic and diluted	<b>3.98</b>	<b>3.48</b>	<b>5.06</b>	<b>2.06</b>	<b>1.83</b>

## SUMMARY

### *Summary consolidated statements of financial position*

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Non-current assets</b>	6,364	8,110	7,513	8,763
<b>Current assets</b>	129,070	154,724	252,976	268,975
<b>Total assets</b>	135,434	162,834	260,489	277,738
<b>Current liabilities</b>	97,274	89,683	140,182	139,622
<b>Net current assets</b>	31,796	65,041	112,794	129,353
<b>Total assets less current liabilities</b>	38,160	73,151	120,307	138,116
<b>Net assets</b>	38,160	72,430	119,281	137,320

As at 1 April 2013, our accumulated losses were approximately HK\$2,016,000, which were the results of years of loss-making of our business prior to the year ended 31 March 2010. In particular, we had incurred losses for the years ended 31 March 2007, 2008, 2009 and 2010 during the ten years ended 31 March 2016. During those years, our Directors experienced the construction industry downturn in Hong Kong and when our Group had not yet benefited from the introduction of the Ten Major Infrastructure Projects. Then our Group grew when the construction industry picked up, thanks to the public sector's contribution to the construction's gross output value from 2011 to 2015, as discussed in the Ipsos Report and our involvement in some part of the Ten Major Infrastructure Projects. The number of real estate development projects also saw substantial increase, that our Group's involvement in building construction projects also experienced an upward trend.

### *Summary consolidated statements of cash flows*

	For the year ended 31 March			For the four months ended	
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	31 July 2015 HK\$'000 (unaudited)	2016 HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	46,159	(24,703)	(15,853)	5,008	30,425
<b>Net cash used in investing activities</b>	(2,439)	(1,512)	(592)	(192)	(1,982)
<b>Net cash (used in)/generated from financing activities</b>	(6,135)	5,676	20,078	13,891	(5,736)
<b>Net increase/(decrease) in cash and cash equivalents</b>	37,585	(20,539)	3,633	18,707	22,707
<b>Cash and cash equivalents at the beginning of year/period</b>	364	37,949	17,410	17,410	21,043
<b>Cash and cash equivalents at the end of year/period</b>	<u>37,949</u>	<u>17,410</u>	<u>21,043</u>	<u>36,117</u>	<u>43,750</u>

We recognised net cash used in operating activities for the year ended 31 March 2016 mainly because there were (i) increase in amount due from director of HK\$43,466,000 attributable to fund advanced to Mr. Joseph Wang; and (ii) increase in amounts due from related parties of HK\$29,028,000.

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## SUMMARY

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We recognised net cash used in operating activities for the year ended 31 March 2015 mainly because there was increase in amount due from director of HK\$28,070,000 attributable to fund advanced to Mr. Joseph Wang.

### *Key financial and operating data*

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

	As at/for the year ended 31 March			As at/for the four months ended
	2014	2015	2016	31 July 2016
Current ratio <sup>(1)</sup>	1.3	1.7	1.8	1.9
Quick ratio <sup>(2)</sup>	1.3	1.7	1.8	1.9
Gearing ratio <sup>(3)</sup>	50.0%	40.4%	41.5%	31.8%
Debt to equity ratio <sup>(4)(8)</sup>	N/A	16.4%	23.8%	N/A
Return on equity <sup>(5)</sup>	102.6%	47.3%	41.7%	39.4% <sup>(9)</sup>
Return on total assets <sup>(6)</sup>	28.9%	21.0%	19.1%	19.5% <sup>(9)</sup>
Interest coverage <sup>(7)</sup>	31.5 times	37.2 times	30.1 times	20.9 times

#### *Notes:*

- (1) Current ratio is calculated as total current assets divided by total current liabilities.
- (2) Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
- (3) Gearing ratio is calculated as total debt (summation of amount due to related parties, borrowings and obligation under finance leases) divided by total equity and multiplied by 100%.
- (4) Debt to equity ratio is calculated as total debt (summation of amount due to related parties, borrowings and obligation under finance leases) less cash and cash equivalents divided by total equity and multiplied by 100%.
- (5) Return on equity equals annualised profit for the year/period divided by total equity of the relevant year/period and multiplied by 100%.
- (6) Return on total assets equals annualised profit for the year/period divided by total assets of the relevant year/period and multiplied by 100%.
- (7) Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.
- (8) The figures as at 31 March 2014 and 31 July 2016 represent that we were in a net cash position.
- (9) These figures have been annualised to be comparable to prior years for reference only, but are not indicative of the actual results.

## RECENT DEVELOPMENTS

As at the Latest Practicable Date, we had 15 projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced). Please refer to the section headed “Business – Our projects – Projects on hand”.

Total outstanding contract sum (including estimated value of agreed variations in writing subsequent to the initial contract) amounted to approximately HK\$728,836,000 as at 31 July 2016, approximately HK\$365,996,000 and HK\$362,840,000 of which are expected to be recognised as revenue for the years ending 31 March 2017 and 2018, respectively, based only on our contracts on hand and construction programme as at 31 July 2016. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects.

As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been secured with five additional contracts with aggregate tender value of approximately HK\$317,270,000, of which project works have commenced. As at Latest Practicable Date, based on our unaudited management accounts, the total outstanding contract sum (including estimated value of agreed variations in writing subsequent to the initial contract) amounted to approximately HK\$833,512,000, approximately HK\$158,534,000, HK\$536,847,000 and HK\$138,131,000 of which are expected to be recognised as revenue for the years ending 31 March 2017 and 2018 and six months ending 30 September 2018, respectively, based only on our contracts on hand and construction programme as at the Latest Practicable Date.

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## SUMMARY

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On 17 January 2017, our Company declared a dividend in an amount of HK\$128 million. Our Directors confirm that there has not been any material and adverse change in our financial or trading position since 31 July 2016 and up to the date of this prospectus.

### LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.6 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$30,185,000. The Vendor will bear the listing expenses of approximately HK\$8,452,000 relating to the sale of the Sale Shares and the listing expenses to be borne by us are expected to be approximately HK\$21,733,000. Of such amount to be borne by us, approximately HK\$8,618,000 is directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$13,115,000, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK\$13,115,000 that will be charged to profit or loss, approximately nil, nil HK\$3,970,000 and HK\$1,795,000 have been charged for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively, and approximately HK\$7,350,000 is expected to be incurred for the eight months ending 31 March 2017. Expenses in relation to the Listing are non-recurring in nature. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred. In the circumstances, we expect that the expenses in connection with the Listing will have a negative effect on our results of operations and financial condition for the year ending 31 March 2017.

### FUTURE PLANS AND USE OF PROCEEDS

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting commission and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.6, being the mid-point of the Offer Price range, of approximately HK\$107.9 million as follows:

- approximately HK\$30.0 million or approximately 27.8% of the net proceeds will be used for an existing formwork works project located in Yau Tsim Mong District with a contract sum of HK\$386.2 million for funding the initial costs to be incurred in the early stage of the project in the second half of the financial year ending 31 March 2017;
- despite the fact that we have incurred minimal rental expenses for our headquarters during the Track Record Period, it is our business plan to apply approximately HK\$45.0 million or approximately 41.7% of the net proceeds for the acquisition of office premises of around 4,000 sq. ft. in about 12 months following the Listing as the existing headquarters is almost fully utilised. There may be a risk that the purchase price is at the peak of a commercial property market cycle and subsequent downward adjustment of market price of our purchased premises may be quick and substantial and may have a material adverse effect on our financial results, return on total assets and equity as well as Shareholders' investment return;
- approximately HK\$11.0 million or approximately 10.2% of the net proceeds will be used for the investment in the new information system which will be used for streamlining management process, enhancing our operational efficiency, cost management and quality of services within 12 months following the Listing;
- approximately HK\$11.4 million or approximately 10.6% of the net proceeds will be used to repay part of our outstanding bank borrowings and finance leases, thereby reducing our finance costs and improving the financial position of our Group;
- approximately HK\$10.5 million or approximately 9.7% of the net proceeds will be used as general working capital of our Group.

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



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## SUMMARY

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### DIVIDEND AND DISTRIBUTABLE RESERVES

During the Track Record Period, our Group members declared and paid dividends of approximately HK\$2,950,000 to the then shareholders during the year ended 31 March 2016. On 17 January 2017, our Company declared a dividend in an amount of HK\$128 million of which approximately HK\$115.2 million was set off against the net amounts due from related parties and approximately HK\$12.8 million was paid by cash. Our Directors consider that there has not been any material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group continue to maintain net current assets and net assets positions after such payment.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

As at 31 July 2016, our Company had no distributable reserves available for distribution to its equity holders.

### OFFER STATISTICS

Market capitalisation at Listing ( <i>note 1</i> )	:	HK\$636 million to HK\$804 million
Offer size	:	25% of the enlarged issued share capital of our Company
Offer Price per Share	:	HK\$0.53 to HK\$0.67
Number of Offer Shares	:	300,000,000 Shares (comprising 216,000,000 new Shares and 84,000,000 Sale Shares)
Number of Public Offer Shares	:	30,000,000 Shares (including 3,000,000 Employee Reserved Shares) (subject to reallocation)
Number of Placing Shares	:	270,000,000 Shares, comprising 186,000,000 new Shares and 84,000,000 Sale Shares (subject to reallocation)
Board lot	:	4,000 Shares
Unaudited pro forma net tangible assets per Share ( <i>notes 2 &amp; 3</i> )	:	HK\$0.197 based on an Offer Price of HK\$0.53 per Share; and HK\$0.221 based on an Offer Price of HK\$0.67 per Share

#### Notes:

1. The calculation of the market capitalisation of the Shares is based on 1,200,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 1,200,000,000 Shares in issue at the respective Offer Prices of HK\$0.53 and HK\$0.67 per Share immediately following completion of the Share Offer.
3. On 17 January 2017, an interim dividend of HK\$128 million was declared to the then Shareholders of our Company. The unaudited pro forma adjusted consolidated net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividend of HK\$128 million appropriated in January 2017 been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.090 and HK\$0.114, assuming the Offer Price of HK\$0.53 and HK\$0.67 per Share, respectively on the basis that 1,200,000,000 Shares were in issue and that the interim dividend appropriated in January 2017, the Share Offer and the Capitalisation Issue had been completed on 31 July 2016.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms and expressions have the following meanings.*

“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>PINK</b> Application Form(s) or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 17 January 2017 and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bright Team”	Bright Team Limited (耀添有限公司), a company incorporated in the Seychelles on 13 May 2016 with limited liability and is wholly-owned by Mr. Tang
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

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## DEFINITIONS

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“Capitalisation Issue”	the issue of 983,990,000 Shares to be made upon capitalisation of certain sums standing in the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 17 January 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Census and Statistics Department”	the Census and Statistics Department of the Government
“Chairman”	chairman of our Board
“Chief Executive Officer”	chief executive officer of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Royal Deluxe Holdings Limited 御佳控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 12 April 2016, registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 May 2016 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, our Company’s present subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Industry Council”	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, refers to Wang K M and Mr. Joseph Wang. Please see the section headed “Relationship with Our Controlling Shareholders” in this prospectus for further details
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 17 January 2017 entered into between the Controlling Shareholders and our Company (for itself and as trustee for and on behalf of its subsidiaries), under which the Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the section headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a non-competition deed entered into on 17 January 2017 between our Company (for itself and as trustee for and on behalf of its subsidiaries) and each of the Controlling Shareholders, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders – Deed of non-competition” of this prospectus

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## DEFINITIONS

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“Development Bureau”	the Development Bureau of the Government
“Director(s)” or “our Directors”	the director(s) of our Company
“Eligible Employee(s)”	any full-time employee of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries or a close associate of such chief executive or directors; (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other connected persons of our Company
“Employee Preferential Offering”	the offer of the Employee Reserved Shares for subscription by the Eligible Employees at the Offer Price (plus a brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the <b>PINK</b> Application Form, as further described in the section headed “Structure and Conditions of the Share Offer – The Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 3,000,000 Offer Shares (representing 1.0% of the total number of Offer Shares initially being offered under the Share Offer) being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Offer Shares
“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
“Environmental Protection Department”	the Environmental Protection Department of Hong Kong

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## DEFINITIONS

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“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
“First Land”	First Land Enterprises Limited (富樂企業有限公司), a company incorporated in Hong Kong on 25 March 2009 with limited liability and is owned as to 25%, 50% and 25% by Mr. Joseph Wang, Ms. Ann Wang and an independent third party, respectively
“Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“GDP”	gross domestic product
“Genuine Technology”	Genuine Treasure Construction Technology Company Limited (俊川建築科技有限公司), a company incorporated in Hong Kong on 19 May 2015 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Government”	the Government of Hong Kong
“Group”, “our Group”, “we”, “us” or “Group Company”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or some or any of them
“GTM Framework Agreement”	the agreement entered into between the Company and GT Material prior to the Listing for a term ending 31 March 2019, pursuant to which GT Material has agreed to provide timber materials from time to time to our Group as we request
“GTS Framework Agreement”	the agreement entered into between the Company and GT Scaffolding prior to the Listing for a term ending 31 March 2019, pursuant to which GT Scaffolding has agreed to provide metal scaffold rental services, together with the necessary supporting equipment, technical support and transport services from time to time to our Group as we request
“GT Group”	GT Material and GT Scaffolding

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## DEFINITIONS

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“GT Material”	Genuine Treasure Construction Material Limited (俊川建築材料有限公司), a company incorporated in Hong Kong on 10 March 2000 with limited liability and is wholly-owned by Ms. Ann Wang
“GT Scaffolding”	Genuine Treasure Access and Scaffolding Limited (俊川棚架設備有限公司), a company incorporated in Hong Kong on 20 December 2013 with limited liability and is wholly-owned by Ms. Ann Wang
“HKFRS(s)”	the Hong Kong Financial Reporting Standard(s) (including the Hong Kong Accounting Standards, amendments and interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong Construction Association”	the Hong Kong Construction Association Limited, a voluntary association of construction companies in Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Ho San”	Ho San Construction Materials Company Limited (浩新建築材料有限公司), a company incorporated in Hong Kong on 23 August 2011 with limited liability and was owned as to 90% by Mr. Joseph Wang and 10% by an independent third party, respectively, up to 4 February 2016
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our branch share registrar and transfer office in Hong Kong
“Housing Authority”	the Hong Kong Housing Authority
“independent third party(ies)”	an individual or a company which is independent of any directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective close associates, and not a connected person of our Company
“Ipsos”	Ipsos Limited, a professional market research company and an independent third party

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## DEFINITIONS

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“Ipsos Report”	the industry report prepared by Ipsos on the market and competitive landscape of formwork works industry in Hong Kong, the content of which is disclosed in this prospectus
“Joint Bookrunners”	Frontpage Capital, Huajin Securities (International) Limited and Pacific Foundation Securities Limited
“Joint Lead Managers”	Frontpage Capital, Huajin Securities (International) Limited and Pacific Foundation Securities Limited
“K C Limited”	K C Limited, a company incorporated in the BVI on 15 June 2016 with limited liability and is wholly-owned by Ms. Cheung
“Labour Department”	the Labour Department of Hong Kong
“Latest Practicable Date”	15 January 2017, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Stock Exchange first commenced, which is expected to be on 8 February 2017
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macao Special Administrative Region of the PRC
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“Ming Tai CE”	Ming Tai Civil Engineering Company Limited (明泰土木工程有限公司) (formerly known as Cornmill Development Limited (廣茂發展有限公司) and Win Tai Construction Engineering Company Limited (永泰建築工程有限公司)), a company incorporated in Hong Kong on 10 August 1993 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation



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## DEFINITIONS

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“Ming Tai Construction”	Ming Tai Construction Engineering Company Limited (明泰建築工程有限公司), a company incorporated in Hong Kong on 5 October 1998 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“MPF Scheme”	mandatory provident fund scheme
“Mr. Joseph Wang”	Mr. Wang Kei Ming (王麒銘), formerly known as Mr. Wang Mung Horn (王孟虹), our Chairman, Chief Executive Officer, executive Director and a Controlling Shareholder
“Mr. Tang”	Mr. Tang Yiu Chi James (鄧耀智), the sole shareholder and director of Bright Team
“Ms. Ann Wang”	Ms. Wang Mung Nien Ann (王孟霓), the sister of Mr. Joseph Wang
“Ms. Cheung”	Ms. Cheung Wai Man (張慧敏), the sole shareholder and a director of K C Limited
“MT Construction”	MT Construction Limited, a company incorporated in the BVI on 15 March 2016 with limited liability, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“MT Engineering”	MT Engineering Limited, a company incorporated in the BVI on 15 March 2016 with limited liability, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“MT Technology”	MT Technology Limited, a company incorporated in the BVI on 15 March 2016 with limited liability, which shall be a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” of this prospectus.
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively

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## DEFINITIONS

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“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 186,000,000 new Shares and 84,000,000 Sale Shares initially offered by our Company and the Vendor, respectively, for subscription and/or purchase at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Thursday, 2 February 2017 by, among others, our Company, our executive Directors, our Controlling Shareholders, the Joint Lead Managers and the Placing Underwriters in respect of the Placing, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Placing” of this prospectus
“PRC” or “China”	the People’s Republic of China (中華人民共和國), which for the purposes of this prospectus only, excludes Hong Kong, the Macau and Taiwan
“Pre-IPO Investment 1”	the investment in our Company by Bright Team pursuant to a sale and purchase agreement dated 29 June 2016, as further described in the section headed “History, Development and Reorganisation” in this prospectus
“Pre-IPO Investment 2”	the investment in our Company by K C Limited pursuant to a sale and purchase agreement dated 29 June 2016, as further described in the section headed “History, Development and Reorganisation” in this prospectus
“Pre-IPO Investments”	Pre-IPO Investment 1 and Pre-IPO Investment 2, collectively

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## DEFINITIONS

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“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, 2 February 2017, on which the Price Determination Agreement is entered into
“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, as further described in the section headed “Structure and Conditions of the Share Offer” of this prospectus and the related Application Forms
“Public Offer Shares”	the 30,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 24 January 2017 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Joint Lead Managers and the Public Offer Underwriters, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Public Offer Underwriting Agreement” of this prospectus
“Regulation S”	the Regulation S under the U.S. Securities Act

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## DEFINITIONS

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“Reorganisation”	the reorganisation arrangement undergone by our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus
“Right Choice”	Right Choice Construction Engineering Limited (日昇建築有限公司), a company incorporated in Hong Kong on 2 September 2011 with limited liability and was owned as to 51%, 24.5% and 24.5% by Mr. Joseph Wang and two independent third parties, respectively, and was deregistered on 13 January 2017
“Sale Shares”	the 84,000,000 Offer Shares initially offered by the Vendor at the Offer Price under the Placing
“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
“Seychelles”	the Republic of Seychelles
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sponsor” or “Frontpage Capital”	Frontpage Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor of the Listing and is an independent third party

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
“Track Record Period”	comprises the financial years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Urban Renewal Authority” or “URA”	the Urban Renewal Authority established under the Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong)
“U.S.” or “United States” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1993 (as amended from time to time)
“Vendor”	Wang K M
“Wang K M”	Wang K M Limited, a company incorporated in the BVI on 15 March 2016 with limited liability and is wholly-owned by Mr. Joseph Wang
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“m”	metre
“m <sup>2</sup> ”	square metre
“m <sup>3</sup> ”	cubic metre
“mm”	millimetre
“sq. ft.”	square feet

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## DEFINITIONS

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“US\$” or “U.S. dollars”                      United States dollars, the lawful currency of the United States

“%”    per cent.

In this prospectus, where otherwise specified:

- All dates and times refer to Hong Kong dates and time.
- Amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$, and vice versa, in this prospectus at the rates of US\$1.00 to HK\$7.80. No representation is made that any amounts in HK\$ or US\$ can be or could have been at the relevant date converted at the above rates or any other rates or at all.
- The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, Government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is unofficial translations for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese version, the Chinese version shall prevail.
- Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments.
- Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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## GLOSSARY OF TECHNICAL TERMS

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

“bills of quantities”	a list of items giving brief identifying descriptions and the quantities measured in accordance with the document in respect of the work to be performed. The main functions of the bills of quantities are (a) to allow a comparison of tender prices of tenders obtained from tenderers; and (b) to provide a means of valuing the work executed when the contract has been entered into
“CAGR”	compound annual growth rate
“falsework”	a temporary framework or structure used to support materials, construction assembly and/or formwork while it is not self-supporting
“formwork”	a temporary mould or structure, made of timber, plywood, steel and/or aluminium, used to contain, mould and support concrete until it is able to support itself for the construction of permanent structures of buildings
“Green Card”	Construction Safety Training Certificate
“private sector projects” or “private sector works”	construction projects or construction works that are not public sector projects or public sector works
“public sector projects” or “public sector works”	construction projects or construction works that are commissioned by the Government (which includes the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environmental Protection Department, Highways Department, Architectural Services Department, Water Supplies Department and Housing Authority), the MTR Corporation Limited and the Airport Authority
“SMM”	the standard method of measurement for civil engineering works, a well-established standard for the preparation of bills of quantities in civil engineering works

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## GLOSSARY OF TECHNICAL TERMS

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“Ten Major Infrastructure  
Projects”

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



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## FORWARD-LOOKING STATEMENTS

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

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

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## FORWARD-LOOKING STATEMENTS

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

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

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

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

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.*

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

### **RISKS RELATING TO OUR BUSINESS**

**We intend to apply a significant portion of the net proceeds from the Share Offer to acquire office premises, the value of which may possibly depreciate, and the acquisition may impair our return on total assets, return on equity, Shareholders' investment return and valuation of our Company**

Our headquarters at Legend Tower, Kwun Tong is currently occupied by us under a tenancy agreement, which is going to expire in February 2018. To cater to the expansion of our management and administration team, the contemplated recruitment of four additional staff members for procurement, safety, IT and engineering, and to provide room for the expansion of our business operations, we will need extra office space since our current headquarters is almost fully utilised. Instead of renewing the existing lease, after careful evaluation of possible options, we plan to apply approximately HK\$45.0 million or approximately 41.7% of the net proceeds from the Share Offer based on the mid-point of the Offer Price range for the acquisition of office premises of around 4,000 sq. ft. in about 12 months following the Listing. Our annual rental of the existing headquarters located in Legend Tower, Kwun Tong is approximately HK\$829,000, which represents a small portion of the intended office premises purchase price and the overall rental savings contributed by the purchase may be minimal. In addition, by utilising the net proceeds to acquire office premises, due to limited funds, our Group may have to give up other available investment options that could yield higher investment returns. With the new capital from the Share Offer which will enlarge our assets base and equity base, the returns on equity and assets contributed by the abovementioned rental savings will be less likely to reach the same level of our historical return on equity and return on total assets during the Track Record Period. As such, following the Listing, our return on total assets and return on equity are likely to be lowered.

In addition, there is a risk that at the time of our purchase, the transacted price is at the peak of a commercial property market cycle and subsequent downward adjustment of market price may be quick and substantial. In such a case an impairment on the carrying amount of the premises may be necessary and may result in a material adverse effect to our

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## RISK FACTORS

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financial results. Further, after the acquisition of the office premises, its carrying amount may represent a substantial proportion of our total assets and the depreciation of the value of the office premises may also adversely affect the valuation of our Company, which in turn will impair Shareholders' investment return.

**Our business relies on successful tenders of formwork erection projects which are non-recurrent in nature, and there is no guarantee that our existing customers will provide us with new business or that we will secure new customers**

Most of our revenue is derived from construction projects awarded through competitive tendering, which our Directors believe is a common practice in the construction industry. Our business is contract-based which is non-recurrent in nature. Our future growth and success will depend on our ability to continue to secure tenders and contract awards. In addition, we do not enter into any long-term agreement with our customers and are required to undergo the entire tendering process for each new project. There is a risk that we may not succeed in tendering for the same customer's services upon the expiry of our service contract. Even if we are able to meet the pre-requisite requirements for tendering, there is no assurance that (i) we would be invited to or be made aware of the tendering process; (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders would be selected by customers.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, we recorded a tender success rate of approximately 3.3%, 2.8%, 2.5% and 1.3%, respectively. Please refer to the subsection headed "Business – Operating process – Tenders submitted during the Track Record Period" of this prospectus for a detailed discussion and analysis of our tender success rate. Our past tender success rate is not indicative of future results and there is no assurance that our Group will achieve the same or higher tender success rate in the future as we have done in the past. If our Group is unable to secure new tenders and/or obtain new contracts, there may be a significant decrease in our revenue which may adversely affect our operation and financial result. Furthermore, in the competitive tendering process, we may lower our service charges or offer more favourable terms to our customers in order to increase the competitiveness of our tenders, and if we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would also be adversely affected.

**Our Group's historical revenue and profit margin from formwork projects may not be indicative of our future revenue and profit margin**

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our revenue amounted to approximately HK\$318,287,000, HK\$287,660,000, HK\$481,943,000 and HK\$152,346,000, respectively. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our net profit amounted to approximately HK\$39,166,000, HK\$34,270,000, HK\$49,791,000 and HK\$18,039,000, respectively. Our Group's results of operation were affected by our project progress during the Track Record Period. As the formwork erection projects are non-recurrent in nature and we cannot guarantee that new businesses could be generated from our existing customers after completion of the current

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## RISK FACTORS

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projects. The trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future.

The profit margins and income of our Group's formwork projects may fluctuate from project-to-project due to the nature of formwork works and the variation orders received from our customers. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our gross profit was approximately HK\$60,701,000, HK\$56,016,000, HK\$92,232,000 and HK\$30,458,000, respectively; whereas our gross profit margin was approximately 19.1%, 19.5%, 19.1% and 20.0%, respectively. Our gross profit margins of new projects may not be as high as our historical ones due to unforeseen difficulties such as site condition and weather condition etc., which may not have been anticipated during the planning stage and would lead to additional works to be performed by our Group, and thus affect the overall profit margin of our Group's projects if such amounts cannot be recovered from our customers. Furthermore, we may receive variation orders (including addition, modification or cancellation of certain contract works) from customers from time to time. There is no assurance that we will be able to recover the costs of the variation orders if we cannot reach an agreement on the rate of variation orders with our customers.

As such, the profitability of our Group in the future depends on our capability to secure new contracts, the nature of the new contracts and the variation orders received from customers. There is no assurance that our gross profit and gross profit margin will remain stable in the future and our financial condition may be adversely affected by any decrease in the gross profit or gross profit margin.

**Our Group's business is project-based. Fee collection and profit margin of our Group depend on the terms of the works contract and may not be regular.**

Our Group's business is project-based. Fee collection and profit margin significantly depend on various factors, such as the proposed expenditure of the customers, the terms of the works orders and contracts, the length of the contract period, the efficiency of implementation of the works orders or contracts and the general market conditions. As a result, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, and the profit margin and time for profit recognition depend on the terms of the works orders and contracts and may also not be regular. In relation to the revenue of the variation orders of our formwork contracts, customers would undertake detailed assessment of all completed works orders and contracts and such actual value of completed works orders and contracts assessed by the customers may be higher or lower than our management's estimation. As such, we face a risk of having a material adjustment to the carrying amounts of assets and liabilities within the next financial year, our revenue, cost of services, profit margin, results of operations and cash flows will be affected accordingly.

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## RISK FACTORS

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### **We have a concentrated customer base and any decrease in the number of projects with our five largest customers would adversely affect our operations and financial results**

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers' revenue contribution for the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 99.1%, 95.2%, 97.8% and 86.5% of our revenue of the same period, respectively. For the same period, our largest customer of the corresponding period, accounted for approximately 44.3%, 53.7%, 40.8% and 27.1% of our revenue, respectively. Please refer to the subsection headed "Business – Customers, sales and marketing – Revenue contribution has been concentrated by major customers" in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement or master service agreement with our customers. Furthermore, our service contracts for all formwork erection projects are on a project-by-project basis. As such, there is no assurance that we will be able to retain our customers upon expiry of the contract or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract value awarded by our five largest customers to our Group for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results would be materially and adversely affected. Besides, if any of our five largest customers experience liquidity problems, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

### **Our top five suppliers account for a substantial portion of our purchases**

Our top five suppliers accounted for approximately 74.9%, 83.0%, 69.0% and 77.5% of our relevant cost of sales for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate their business relationships with us entirely, there can be no assurance that the provision of goods and services from the new suppliers, if any, would be on commercially comparable terms or comply with our quality requirements. As such, our operations and financial performance and prospects may be materially and adversely affected.

### **The amount of revenue that we are able to derive from a project may be higher or lower than the initial contract sum due to factors such as variation orders**

The aggregate amount of revenue that we are able to derive from a project may be different from the initial contract sum specified in the relevant contract for the project due to factors such as variation orders (including addition, modification or cancellation of certain contract works) given by our customers from time to time during the project period. As

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## RISK FACTORS

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such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially lower than the initial contract sum as specified in the relevant contracts.

In addition, our Group and our customers generally value the variation orders by (i) referencing to the rates and prices in the bills of quantities or schedule of rates in the relevant contracts; or (ii) separate quotations to be agreed upon. Since variation works are usually carried out before the rate of such variation works is agreed, if we and our customers fail to reach an agreement on the rate of such variation works, contractual disputes with our customers may arise and prolonged procedures may be required to resolve such disputes, which may adversely affect our results of operations, liquidity and financial position.

**We rely on the availability of public sector projects in Hong Kong and any failure of our Group to secure public sector projects would adversely affect our operations and financial results**

We have primarily focused on large-scale projects, which during the Track Record Period inclined to be public sector projects and by their nature are only procured by our customers from a limited number of public sector project employers, generally including Government departments, railway operators or other statutory bodies in Hong Kong. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our revenue attributable to public sector projects amounted to approximately HK\$264,180,000, HK\$190,317,000, HK\$244,709,000 and HK\$93,986,000, respectively, representing approximately 83.0%, 66.2%, 50.8% and 61.7% of our total revenue, respectively. Please refer to the section headed “Financial Information – Selected line items in the consolidated statements of profit or loss and other comprehensive income – Revenue” in this prospectus for further details.

Our results of operations in relation to our public sector business will continue to rely on the following: (i) our ability to continue to secure public sector projects from our customers; (ii) the public policy in relation to infrastructure and civil engineering projects; and (iii) other factors that generally affect the Hong Kong construction industry. Any material delay, suspension, termination or reduction of number or contract value of public sector projects may adversely affect our revenue, hence our results of operations.

We may not be able to diversify the composition of our project variety due to the nature of civil engineering works which are normally funded by the Government. If the Government substantially reduces its expenditures on civil engineering or public housing construction works, we may not be able to secure projects on similar terms from main contractors. If any such event occurs, there may be a material adverse effect on our business, financial condition and/or results of operations.

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## RISK FACTORS

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**We depend on our suppliers for timber and metal formwork materials, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price**

We rely on our suppliers for stable and timely delivery of quality timber and metal formwork materials. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our total purchase cost of timber and metal materials amounted to approximately HK\$84,956,000, HK\$64,140,000, HK\$106,883,000 and HK\$30,958,000, respectively, representing approximately 33.0%, 27.7%, 27.4% and 25.4% of our total purchases, respectively.

If there is any shortage of timber and metal formwork materials, or material delay in delivery by our suppliers, we may fail to complete our projects on time or at all. As a result, we may be required to pay liquidated damages or other penalties to our customers. We cannot guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

If there is any deterioration in the quality of timber and metal formwork materials delivered by our suppliers, and we are unable to identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

**Construction industry is highly labour intensive and shortage of labour may affect our projects and our performance**

Our formwork construction works are generally labour intensive. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our project labour cost amounted to approximately HK\$104,746,000, HK\$106,337,000, HK\$190,953,000 and HK\$67,088,000, respectively, representing approximately 40.7%, 45.9%, 49.0% and 55.0% of our total direct costs, respectively. For any given project, a large number of workers with different skills (or of different trades) may also be required. There is no assurance that the supply of labour (especially experienced and skilled labour) will be sufficient during the forthcoming years when the peak load of construction activities is ongoing. All labour intensive projects are more susceptible to labour shortage, and our subcontracting costs including labour costs of our subcontractors may escalate. If there is a significant increase in the costs of labour and demand for experienced and skilled labour and we have to retain our labour (likewise our subcontractors retain their labour) by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. For a given project, our price and rates are generally fixed, which would mean that the ensuing increases in labour expenses would not be able to be passed on to our customers and must be borne by ourselves. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour (especially experienced and skilled labour) in a timely manner to cope with our existing or future projects, we may not be able to timely complete our projects, resulting in liquidated damages, financial losses, damage of our reputation and loss of customers' confidence. For sensitivity analysis illustrating the impact of fluctuations



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## RISK FACTORS

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in staff costs and subcontracting charges, please refer to the section headed “Financial Information – Factors affecting our results of operations and financial conditions – Fluctuation in direct costs” in this prospectus.

**If we are unable to retain our key management personnel, our business, operational results and financial condition may suffer**

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management are important to us. In particular, we rely on the management and leadership of Mr. Joseph Wang, our chairman, chief executive officer and an executive Director as well as our Controlling Shareholder, who has over 37 years of experience in formwork construction industry and is responsible for the overall strategic management and development of our Group’s business operations. Details of the expertise of our Directors and members of senior management are set out in the section headed “Directors, Senior Management and Employees” in this prospectus.

If any of our executive Directors ceases to be involved in the management of our Group in the future and our Group is unable to find a suitable replacement in a timely manner, there could be an adverse impact on our business, results of operation and profitability of our Group.

**We are exposed to certain types of liabilities that may not be fully covered by our insurance or are generally not insured against**

During the Track Record Period, our Group maintained insurance coverage against, (i) employees’ compensation; (ii) liability for third party bodily injury occurred in our office premises; (iii) loss or damage of our machinery; and (iv) third-party liability in relation to the use of our vehicles, as disclosed in the section headed “Business – Insurance” in this prospectus. However, our insurance plans may not fully cover all the potential losses incurred from damages or liabilities in relation to our services provided. There are certain exposures which are generally excluded from the insurance policies that we have procured or which are not commercially viable to have been procured for market reasons.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover or which we have no insurance to cover, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

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## RISK FACTORS

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

Whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account various factors including the estimated number and types of workers required, the difficulties and methodology of the project, and the prevailing market conditions. For further details, please refer to the section headed “Business – Operation process – Pricing of our quotations and pricing strategy” in this prospectus. Tender price is important, because once the rate of items in the bills of quantities are underestimated, the contractor generally will have to bear any additional costs incurred. In the event we fail to properly estimate the project costs or if there are any unforeseen factors or difficulties raised during the execution of projects leading to any increase in time, cost (such as additional subcontracting fee and materials costs), or any additional requirements of manpower, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for a project. During the Track Record Period, one of our completed projects, which was a public civil engineering project in Yuen Long District, recorded an overall gross loss of approximately HK\$1,269,000.

Furthermore, our contracts entered into during the Track Record Period contained specific completion schedule requirements and liquidated damages provision. Details are set out in the section headed “Business – Customers, sales and marketing – Principal terms of our contracts with customers” in this prospectus. Liquidated damages are typically levied at an agreed rate for each day of delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could, to the extent that time extension is not granted by our customers, cause us to pay significant liquidated damages, which would reduce or diminish our profit expected to generate from the relevant contracts.

**We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results**

In general, we usually receive progress payments from our customers. Nevertheless, during the commencement of our projects, we have to incur various costs, including: (i) purchase costs of timber and metal materials; (ii) salary payments to our workers; and (iii) payments to our subcontractors. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the section headed “Business – Customers, sales and marketing – Credit policy and retention money” in this prospectus.

As at 31 March 2014, 2015 and 2016 and as at 31 July 2016, our trade receivables amounted to approximately HK\$26,095,000, HK\$20,785,000, HK\$32,931,000 and HK\$43,834,000, respectively, representing approximately 20.2%, 13.4%, 13.0% and 16.3% of the total current assets respectively. In addition, the trade receivables’ turnover days were approximately 26 days, 30 days, 21 days and 31 days for each of the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. For details of the

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## RISK FACTORS

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fluctuations in our trade receivables from customers and trade receivables' turnover days, please refer to the section headed "Financial Information – Discussion of certain consolidated statements of financial position items – Trade and other receivables – Trade receivables" in this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of retention receivables from our customers within the agreed credit terms or at all.

Further, disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to accordingly. There is also a possibility that we may take longer than the trade receivables' turnover days to collect payments. This will negatively affect our cash flows and financial performance.

**Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers**

We delegate specific work tasks to different subcontractors from time to time. We also purchase various materials including timber and metal materials to carry out the contract works. As such, we would record significant cash outflow in the event that we take up too many substantial projects at a particular period of time.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, the trade and bills payables amounted to approximately HK\$13,768,000, HK\$15,042,000, HK\$19,915,000 and HK\$25,874,000, respectively, representing approximately 14.2%, 16.8%, 14.2% and 18.5% of the total current liabilities, respectively. In addition, the trade and bills payables' turnover days were approximately 19 days, 23 days, 17 days and 23 days for the three years ended 31 March 2016 and the four months ended 31 July 2016. For details of the fluctuations in our trade payables to our suppliers and the trade and bills payables turnover days, please refer to the section headed "Financial Information – Discussion of certain consolidated statements of financial position items – Trade and other payables – Trade and bills payables" in this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. The cash flow mismatch could result in net cash used in operating activities and can be serious. For the years ended 31 March 2015 and 2016, our Group recorded net cash used in operating activities amounted to approximately HK\$24,703,000 and HK\$15,853,000, respectively. Further, there can be no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

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## RISK FACTORS

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**As we from time to time engage subcontractors in our work, we may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of our subcontractors**

We from time to time engage subcontractors to perform a portion of our works. Please refer to the section headed “Business – Subcontracting arrangements” in this prospectus for further details. For the three years ended 31 March 2016 and the four months ended 31 July 2016, subcontracting charges incurred by us amounted to approximately HK\$39,540,000, HK\$38,698,000, HK\$57,932,000 and HK\$17,230,000, respectively. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own operations staff and workers. Outsourcing exposes us to risks associated with sub-standard performance, delayed performance or even non-performance by our subcontractors. As a result, we may experience deterioration in the quality or delivery of our works, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant contract. Such events could impact upon our profitability, financial performance and reputation, and result in litigation or damage claims.

If our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event that there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position will be adversely affected.

**Our performance may be adversely affected by construction disputes and litigation, which are not uncommon in our industry**

It is not uncommon in our industry to have construction dispute and litigation. We may be in dispute with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed “Business – Litigation and potential claims” in this prospectus for further information on material disputes or litigation we encountered during the Track Record Period. The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management’s attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

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## RISK FACTORS

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

We intend to acquire office premises and new information system in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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

During the Track Record Period, we declared and paid a dividend of HK\$2,950,000 for the year ended 31 March 2016. Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board. There is no assurance that the amount of dividends declared by our Company in the future, if any, will be at a level comparable with that in the past.

### **Uncertain protection and possible infringement of our Group's intellectual property rights**

Our Group has registered various trademarks and patents under our own name and applied for registration of a number of patents in various jurisdictions, which are important to our Group's business, further details of which are set out in the section headed "Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus.

However, it may be possible for other third parties to infringe upon our Group's intellectual property rights and in such event, our reputation and brand image, and hence our performance may be adversely affected. In addition, there are countries where protection of patents, trademarks and other intellectual property rights may not be effective or may be limited.

### **Our operations and results of operations would be adversely affected by the delay in commencement of public sector projects which are led by toppling of funding proposals for public works due to (i) delay in approval for public works by the Legislative Council; (ii) protests by affected residents; and (iii) technical and legal challenges, and cooperation problems amongst different Government authorities.**

For the financial years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our revenue generated from projects in the public sector was approximately 83.0%, 66.2%, 50.8% and 61.7% of our total revenue, respectively. Our engagement with our customers for public sector projects may rely on the timely funding

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## RISK FACTORS

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approval by the committees of the Legislative Council. Therefore, lawmakers' filibustering which leads to delays in the passing of public works funding proposals by the committees of the Legislative Council in recent years created uncertainty on the commencement date of projects or approval of additional funds on projects which we are involved in the public sector, which may adversely affect our operations and financial performance of our Group.

In addition, considering the recent state of political environment in Hong Kong, any protests or occupation activity by affected residents in Hong Kong may also delay the construction works to be carried out in a particular area. Since our operations are primarily located in Hong Kong, any change of such political arrangements or environment may pose immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and the financial positions of our Group. Apart from funding approval, we may also encounter other situations which may lead to delay in commencement of public sector projects. These situations include technical and legal challenges, and cooperation problems among government authorities.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Our performance is dependent on market conditions and trends in the construction industry and in the overall state of Hong Kong's economy which may change adversely**

Our performance and financial condition are heavily dependent on the state of economy in Hong Kong where we generate most of our revenue. The future growth and level of profitability of the construction industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of our projects will, however, be determined by the interplay of a variety of factors, in particular, the Government's spending patterns on housing and infrastructure, the investment of property developers and the general conditions and prospects of the economy.

Although a number of infrastructure projects are in the pipeline as set out in the section headed "Industry Overview" in this prospectus, these projects are susceptible to delays and the availability of Government funds. Apart from the public spending of the Government, there are numerous factors affecting the formwork construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for formwork construction works in Hong Kong deteriorate, our operations and profits could be adversely affected.

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

The industry in which we operate is highly competitive. Our Directors consider that our Group is in competition with other players on reputation and track record, relationship with customers, suppliers and subcontractors, flexibility of meeting customers' requirements, availability of machinery and competitive project pricing. If the competition among formwork construction subcontractors intensifies, we may be under pressure to reduce our

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## RISK FACTORS

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quotation, which would have an adverse impact on our project profitability and operating results. We cannot guarantee that we can effectively cope with the enhanced competition in the future or that we may maintain our market position in the industry.

**Weather conditions, natural disasters, acts of God, political unrest and other events may have negative impact on the construction industry**

Weather conditions, natural disaster and other acts of God which are beyond our control may materially and adversely affect the economy, the construction industry and our business, as a result of which our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters could cause disruption in our Group's operations or cause delays in our delivery schedules.

**RISKS RELATING TO THE SHARE OFFER**

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

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

**Investors of the Shares will experience immediate dilution as the Offer Price is higher than the net tangible book value per Share**

The Offer Price of the Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Share Offer. Therefore, investors of our Shares in the Share Offer will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our Shares may experience further dilution.

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## **RISK FACTORS**

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### **Investors may experience dilution if our Group issues additional Shares in the future**

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

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

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

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

## **RISK RELATING TO STATEMENTS IN THIS PROSPECTUS**

### **Certain facts and statistics included in this prospectus may not be relied upon**

Certain information and statistics contained in the section headed “Industry Overview” of this prospectus are derived from the Ipsos Report compiled by Ipsos and other publicly available sources. While reasonable care has been exercised in the reproduction of such information, it has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and may not be accurate, complete or up-to-date. Our Directors make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained in this prospectus are derived from market data provided by Ipsos. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to its accuracy.



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## RISK FACTORS

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### **The current market condition may not be reflected in the statistical information included in this prospectus**

The historical information set out in this prospectus relating to market conditions and valuation may not reflect the current market situation due to rapid changes in the global economy. In order to provide context to the industries in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition as the recent economic upturn may not be fully factored into these statistics, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may prove incorrect.

### **Forward-looking statements contained in this Prospectus are subject to risks and uncertainties**

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

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## **WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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Certain members of our Group have business transactions with connected persons that are expected to continue after Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing.

In preparation for the Listing, we have applied to the Stock Exchange for the following waiver from strict compliance with the relevant provisions of the Listing Rules.

### **CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transactions which will constitute non-exempt continuing connected transactions for our Company under the Listing Rules after Listing.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and, where applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the above continuing connected transactions. Further details of the above non-exempt continuing connected transactions are set out in the section headed "Connected Transactions" in this prospectus.

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

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

### **INFORMATION ON THE SHARE OFFER**

The Share Offer comprises the Public Offer of 30,000,000 Shares initially offered by our Company (including 3,000,000 Employee Reserved Shares) and the Placing of 270,000,000 Shares (comprising 186,000,000 new Shares and 84,000,000 Sale Shares initially offered by our Company and the Vendor, respectively) (subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus).

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

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

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

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

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### UNDERWRITING

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

**If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed.** Further information relating to the Underwriters and underwriting arrangement are contained in the section headed “Underwriting” in this prospectus.

### RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

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

Each person acquiring the Offer Shares and/or the Employee Reserved Shares will be required to confirm, or be deemed by his/her acquisition of the Offer Shares and/or the Employee Reserved Shares to have confirmed that he/she is aware of the restrictions on

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

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offers and sales of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered and sold any Offer Shares in circumstances that contravene any such restrictions.

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

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

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

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

### **REGISTER OF MEMBERS AND STAMP DUTY**

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

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

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m on Wednesday, 8 February 2017. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 3789. Our Company will not issue any temporary documents of title.

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

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

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

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

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

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

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

### **PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES**

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

### **VENDOR**

The Share Offer consists of 300,000,000 Offer Shares, of which 84,000,000 Sale Shares shall be offered for sale by the Vendor. We estimate that the net proceeds to the Vendor from the sale of the Sale Shares (after deduction of expenses in connection with the Listing borne by them of approximately HK\$8.5 million, which is the proportional underwriting commission payable to the Underwriters for such sale of the Sale Shares and assuming an

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

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Offer Price of HK\$0.6, being the mid-point of the Offer Price range) will be approximately HK\$41.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Vendor are set out in the section headed “Statutory and General Information – E. Other information – 12. Particulars of the Vendor” in Appendix IV to this prospectus.

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

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

### **ROUNDING**

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

### **WEBSITE**

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

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Wang Kei Ming (王麒銘)	Apartment No. 26, 17th Floor Celestial Heights 80 Sheung Shing Street Kowloon Hong Kong	Chinese
Mr. Wang Yu Hin (王宇軒)	Flat D, 1st Floor 1 Tai Hang Road Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lai Ah Ming Leon (黎雅明)	Flat 1, 8th Floor Block C Y.Y. Mansions 96 Pok Fu Lam Road Hong Kong	Chinese
Mr. Lam Wai Ho (林偉豪)	No. 40, 3rd Street Section J Fairview Park Yuen Long New Territories Hong Kong	Chinese
Mr. Kwong Ping Man (鄺炳文)	Flat G, 29th Floor Block 2 Aqua Marine 8 Sham Shing Road Cheung Sha Wan Kowloon Hong Kong	Chinese

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



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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sponsor</b>	<b>Frontpage Capital Limited</b> 26th Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong <i>(A licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>
<b>Joint Bookrunners and Joint Lead Managers</b>	<b>Frontpage Capital Limited</b> 26th Floor, Siu On Centre 188 Lockhart Road Wanchai Hong Kong  <b>Huajin Securities (International) Limited</b> Suite 1101, 11th Floor, Champion Tower 3 Garden Road Central Hong Kong  <b>Pacific Foundation Securities Limited</b> 11th Floor, New World Tower II 16-18 Queen's Road Central Hong Kong
<b>Co-Managers</b>	<b>Ample Orient Capital Limited</b> Unit 902 Far East Consortium Building 121 Des Voeux Road Central Hong Kong  <b>HF Securities and Futures Limited</b> Room 1605-06 South Tower Concordia Plaza 1 Science Museum Road Tsim Sha Tsui Hong Kong
<b>Legal advisers to our Company</b>	<i>as to Hong Kong law:</i> <b>CFN Lawyers in association with Broad and Bright</b> Room 4124, 41st Floor Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong <i>(Solicitors of Hong Kong SAR)</i>

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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	<p><i>as to Cayman Islands law:</i> <b>Appleby</b> 2206-19 Jardine House 1 Connaught Place Central Hong Kong <i>(Cayman Islands attorneys-at-law)</i></p>
<b>Legal advisers to the Sponsor and the Underwriters</b>	<p><i>as to Hong Kong law:</i> <b>Stevenson, Wong &amp; Co.</b> 4th Floor, 5th Floor &amp; 1602 Central Tower 28 Queen's Road Central Hong Kong <i>(Solicitors of Hong Kong SAR)</i></p>
<b>Reporting accountants and auditors</b>	<p><b>HLB Hodgson Impey Cheng Limited</b> 31st Floor, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong <i>(Certified Public Accountants)</i></p>
<b>Market research consultant</b>	<p><b>Ipsos Limited</b> 22nd Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong</p>
<b>Receiving bank</b>	<p><b>DBS Bank (Hong Kong) Limited</b> 16th Floor, The Center 99 Queen's Road Central Hong Kong</p>
<b>Vendor</b>	<p><b>Wang K M Limited</b> P.O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands</p>

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## CORPORATE INFORMATION

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<b>Registered Office in the Cayman Islands</b>	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Unit A, 26th Floor Legend Tower 7 Shing Yip Street Kwun Tong Kowloon Hong Kong
<b>Company's website address</b>	<i>www.royal-deluxe.com</i> <i>(the information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Yim Sau Ping (嚴秀屏) (CPA) 2nd Floor, 596 The Wonderland Tai Po Tau Tai Wo New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Wang Kei Ming (王麒銘) Apartment No. 26, 17th Floor Celestial Heights 80 Sheung Shing Street Kowloon Hong Kong  Ms. Yim Sau Ping (嚴秀屏) (CPA) 2nd Floor, 596 The Wonderland Tai Po Tau Tai Wo New Territories Hong Kong
<b>Audit committee</b>	Mr. Kwong Ping Man (鄺炳文) ( <i>chairman</i> ) Mr. Lai Ah Ming Leon (黎雅明) Mr. Lam Wai Ho (林偉豪)
<b>Remuneration committee</b>	Mr. Lai Ah Ming Leon (黎雅明) ( <i>chairman</i> ) Mr. Kwong Ping Man (鄺炳文) Mr. Lam Wai Ho (林偉豪) Mr. Wang Kei Ming (王麒銘)

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## CORPORATE INFORMATION

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<b>Nomination committee</b>	Mr. Lam Wai Ho (林偉豪) ( <i>chairman</i> ) Mr. Kwong Ping Man (鄺炳文) Mr. Lai Ah Ming Leon (黎雅明) Mr. Wang Kei Ming (王麒銘)
<b>Compliance adviser</b>	Frontpage Capital Limited 26/F, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	DBS Bank (Hong Kong) Limited 11th Floor, The Center 99 Queen's Road Central Hong Kong  Dah Sing Bank, Limited Dah Sing Financial Centre 108 Gloucester Road Hong Kong

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## INDUSTRY OVERVIEW

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*The information set forth in this section has been derived from the Ipsos Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the Share Offer and no representation is given as to its accuracy. Except as otherwise stated, all the data and forecast in this section are derived from the Ipsos Report.*

*The information extracted from the Ipsos Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the potential investment of the Shares or in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report.*

### SOURCE OF INFORMATION

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of formwork works industry in Hong Kong, at a fee of HK\$408,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs over 16,000 personnel worldwide across 87 countries.

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

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## INDUSTRY OVERVIEW

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

### **ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT**

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

- there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction and hence the building service industry in Hong Kong over the forecast period; and
- the supply of building service works in Hong Kong is expected to grow under the Government's initiative to increase residential and commercial building supply.

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

- the number of workers engaging in the construction works in Hong Kong from 2011 to 2015
- the total investment value in construction projects in Hong Kong from 2010 to 2014
- public expenditure on infrastructure in Hong Kong from 2011 to 2015
- the total number of public rental housing units newly completed by the Housing Authority in Hong Kong from 2011 to 2015
- the total number of private residential housing units in new completions in Hong Kong from 2011 to 2015
- the total floor area of private office space completed in Hong Kong from 2011 to 2015
- the total floor area of private commercial space completed in Hong Kong from 2011 to 2015
- Gross Output Value of the Building Construction Works Industry in Hong Kong from 2011 to 2015

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## INDUSTRY OVERVIEW

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### MACROECONOMIC SITUATION AFFECTING CONSTRUCTION INDUSTRY IN HONG KONG

#### **GDP and growth rate**

GDP grew at a CAGR of 2.5% during the 2011-2015 period, from HK\$2,039.2 billion to HK\$2,246.4 billion. It is forecast to increase from approximately HK\$2,291.3 billion in 2016 to approximately HK\$2,533.0 billion in 2020. Between 2015 and 2016, the GDP should experience a slower growth following weak external trade and a softening mainland economy. The Government is committed to stimulate economic recovery, as evidenced by the approval of HK\$38.8 billion in the 2016-2017 Budget to help stimulate consumption, stabilise the economy and preserve employment.

#### **Gross fixed capital formation value in Hong Kong**

The gross fixed capital formation value in Hong Kong increased gradually from about HK\$455.3 billion in 2011 to about HK\$543.4 billion in 2015, at a CAGR of approximately 4.5%. The growth in the gross fixed capital formation is attributed to the increasing number of construction projects, in both general buildings and civil engineering, particularly infrastructure projects. For example, the public expenditure on infrastructure in Hong Kong increased at a CAGR of around 10.1%, from around HK\$49.0 billion in 2010 to around HK\$79.3 billion in 2015. The Guangzhou-Shenzhen-Hong Kong Express Rail Link, that commenced construction in January 2010 with the target to be opened by the third quarter of 2018, is one of the large-scale infrastructure projects in Hong Kong. In addition, the third runway at the Hong Kong International Airport, which is planned to commence in 2016 and to be completed by 2023, is also expected to drive the gross fixed capital formation value. The on-going and upcoming construction projects in both public and private sectors are expected to drive the growth of gross fixed capital formation in Hong Kong.

#### **Other macroeconomic factors affecting the construction industry in Hong Kong**

The construction industry has been growing due to the increasing demand for office buildings, retail spaces and residential buildings from 2011 to 2015.

##### *Growing number of enterprises increased the demand for office spaces*

Hong Kong has been one of the best choices for the global companies to establish or expand their businesses due to its strategic geographical location. According to the Rating and Valuation Department of Hong Kong, the total floor area of completed private office (overall) increased at a CAGR of around 12.0%. The total floor area of completed private commercial building rose at a CAGR of around 9.6% from 2010 to 2015.

##### *Increasing supply of residential buildings*

The Government's initiatives to increase the supply of housing units will accordingly expedite the construction industry in Hong Kong. According to the 2016 Policy Address, the Government will continue to increase housing land supply.

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## INDUSTRY OVERVIEW

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### *Large numbers of ongoing public infrastructure projects*

Except for the rising demand for residential and commercial buildings, large numbers of ongoing public infrastructure projects have also driven the development of construction industry, especially substructure works in Hong Kong. Also, the Ten Major Infrastructure Projects launched in 2007 will have the positive impact to the construction industry in Hong Kong. Railway network expansion projects such as the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Sha Tin to Central Link, which are expected to be completed between 2018 to 2031, also will propel the development of construction industry in Hong Kong.

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

#### **Public sector has a large contribution to the growth of the construction's gross output value from 2011 to 2015**

The construction industry in Hong Kong accounted for about 3.3% to 4.3% of the total GDP from 2010 to 2014. The total gross output value of construction work contributed from main contractors in Hong Kong increased from about HK\$77.4 billion in 2011 to about HK\$143.2 billion in 2015, at a CAGR of 16.6%. The value of construction projects commissioned by main contractors in the public sector increased from approximately HK\$42.1 billion in 2011 to approximately HK\$77.1 billion in 2015, at a CAGR of about 16.3%. During the same period, the value of construction projects performed by main contractors in the private sector increased from approximately HK\$35.3 billion to approximately HK\$66.1 billion, at a CAGR of about 17.0%.

#### **The construction industry is quite competitive and subcontracting activities are common in the industry**

The total gross output value of construction works performed by main contractors at construction sites in Hong Kong was about HK\$143.2 billion in 2015 and the total gross output value of construction works performed by subcontractors was about HK\$30.0 billion in 2015.

#### **Key customer segments of main contractors**

Main contractors are employed by the land owners, property developers or Government departments to have the overall administration and supervision of the whole construction works which consist of various parts of works such as site formation, piling, demolition, erection of architectural superstructure, structural alteration, etc. Main contractors usually will outsource some or even all parts of the construction work to subcontractors according to their expertise and professional knowledge when it comes to the large-scale construction projects.



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## INDUSTRY OVERVIEW

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### **Number of workers engaging in construction industry**

The total number of workers involved in the construction works industry in Hong Kong went up from 69,395 in 2011 to 101,982 in 2015, at a CAGR of about 10.1%. Due to unmet demand from the construction work projects in the past five years, the number of workers involved in the construction works industry in Hong Kong has been growing from 2011 to 2015. As the Government has strived on ascending the affordable housing supply, the demand for building construction contracting services has highly pushed accordingly increase the demand for more construction workers. As the labour shortage and ageing problem have been a common issue in Hong Kong's construction industry, the Government has taken actions to increase the construction workers supply. The Government has invested about HK\$320 million during 2010 and 2015 to organise training courses and offering subsidy scheme to encourage young people to join the industry, which also helped increase the number of building construction workers.

### **Total investment value in construction projects in Hong Kong**

The total investment value in construction projects increased steadily from 2010 to 2014 due to growing costs of raw materials and labour. A CAGR of 14.8% growth between 2010 to 2014, for the total investment value in construction projects in Hong Kong, from HK\$174.8 billion to HK\$303.4 billion. Higher costs of construction works such as growing costs of raw materials, labour and contract fee to subcontractors trigger additional charges in construction projects. Between 2010 and 2014, the hourly wage of construction workers grew at a CAGR of about 10.7%.

### **Number of real estate development projects in Hong Kong**

The total number of private real estate development projects in Hong Kong has been increasing from around 167 in 2010 to around 329 in 2014. The persistent investment in property development to meet demands of a growing population is predicted to increase the housing supply and hence the continual demand for construction works. According to the 2016 Policy Address, for private housing, it is estimated that private housing land selling in 2015-16 will reach over 29,000 units, including 19,000 units offered from the 2016-17 Land Sale Programme and other units generated from railway property development projects, the Urban Renewal Authority's projects and private redevelopment and development projects. It is expected that it would be the upsurge on the amount of private real estate development projects in Hong Kong in the future.

### **Public expenditure on infrastructure in Hong Kong**

The continual growth of the public expenditure on infrastructure in Hong Kong was expected because of the large amount of ongoing projects. According to the 2015-16 Budget, the Government had invested about HK\$73.9 billion in infrastructure during 2014 and 2015, including the Ten Major Infrastructure Projects and the other construction projects on buildings and urban development. According to the 2016-17 Budget, on top of the Ten Major Infrastructure Projects, the Government will invest about HK\$85.8 billion on infrastructure between 2016 and 2017.

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## INDUSTRY OVERVIEW

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

The total gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong surged from about HK\$89.0 billion in 2011 to about HK\$173.2 billion in 2015, representing a CAGR of about 18.1%.

For public sector, the Government's initiative to increase the public housing supply, commercial land supply as well as the commencing and upcoming infrastructure projects support the growth of construction industry in Hong Kong in the next five years. Public infrastructure projects, including railway network expansion (4 railway projects are currently at different stages of implementation and are expected to be completed between 2016 to 2021. These projects include the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Shatin to Central Link; apart from these 4 projects, several railway projects are planned to commence in 2018 and are expected to be completed between 2023 to 2031.

For private sector, the total number of private residential housing units completed in Hong Kong reached at 11,280 in 2015 and is expected to have 18,200 in 2016. The total floor area of private commercial buildings reached at 68,000 m<sup>2</sup> in 2015 and predicted to have 125,900 m<sup>2</sup> in 2016. The continual efforts the Government put into commercial land use will support the construction industry in the next five years.

### **MARKET OVERVIEW OF THE FORMWORK WORKS INDUSTRY IN HONG KONG**

Over the past few decades, the construction industry in Hong Kong has seen significant developments, supported by an active economy. Formwork systems are among the key factors that determine the success of a construction project in terms of speed, quality, cost and safety of works. The design and use of a right formwork system, as well as implementation of an effective resource planning strategy to control and maximise the use of the formwork system are crucial to the overall success of a construction project.

The formwork works industry, which is technology and capital intensive in nature, has encountered the challenges of capital shortage and lack of guarantee of innovative technology, learned skill and experience in Hong Kong, especially during times when shrinking of property market has created extremely keen competition, discouraging the application of initially costlier innovative technology in the construction industry. The use of a formwork system in construction projects occupies a critical place in the technological improvement process. Formwork is an important part of building construction works and contributes to a major part of cost in most building construction activities.

As of 1 June 2016, the register of Construction Workers Registration of the Construction Industry Council had about 10,733 carpenters (Formwork) enlisted, who are eligible to complete formwork works. Of these, about 1,740 carpenters (Formwork) are masters and were able to perform all construction works relating to formwork works. 3,898 carpenters (Formwork) were specialising in civil construction, and were eligible to perform construction works relating to civil formwork works only. Besides, there were 5,095 carpenters (Formwork) who were specialising in building construction. These workers were

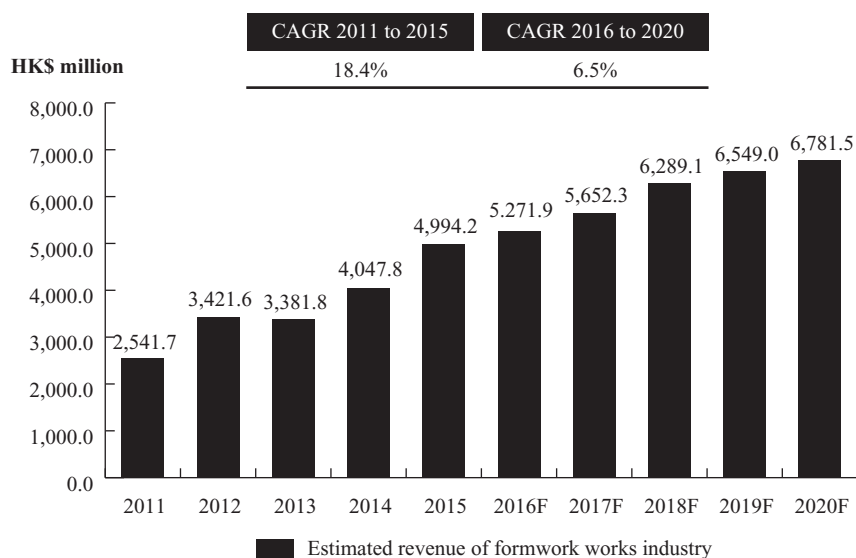
## INDUSTRY OVERVIEW

qualified to perform construction works relating to building formwork works only. The general project fee for formwork works is highly variable, ranging from less than a million Hong Kong dollars to hundreds of millions of Hong Kong dollars.

### Estimated revenue of formwork works industry in Hong Kong

The revenue of the formwork works industry increased due to the growth of the building construction works in Hong Kong. The gross output value of the formwork works industry in Hong Kong increased from approximately HK\$2,541.7 million in 2011 to approximately HK\$4,994.2 million in 2015, at a CAGR of 18.4%. Growth in this industry is mainly driven by growth of the building construction industry. With the Government's continuous efforts to increase housing supply, it is expected that the gross output value of the formwork works industry in Hong Kong will rise at a CAGR of approximately 6.5%, from about HK\$5,271.9 million in 2016 to about HK\$6,781.5 million in 2020.

### Estimated Revenue of the Formwork Works Industry in Hong Kong



*(Source: 2016-17 Budget Speech, HKSAR, Ipsos research and analysis)*

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

The average daily wages of workers engaging in the formwork works industry in Hong Kong increased from around HK\$979 in 2011 to around HK\$1,499 in 2015, at a CAGR of about 11.2%, due to large demand for housing units and the Government's initiatives to increase housing supply as well as intensified labour shortage. Labour shortage and ageing workforce have been posing serious threats to Hong Kong's construction industry. According to Hong Kong Construction Association's survey on labour shortage in the construction industry, the shortage rate reached 11.4%, with 2,356 workers needed to make the total 20,726 on-site workers, and carpenters (Formwork – Building Construction) as well as bar benders and fixers were most in demand.

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## INDUSTRY OVERVIEW

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### Price trend of plywood, sawn hardwood and aluminium in Hong Kong

The following table sets out the average price trend for major materials used in the formwork works industry in Hong Kong:

Material	2011	2012	2013	2014	2015
Plywood (19 mm thick) (HK\$/m <sup>2</sup> )	70.0	71.0	74.0	75.0	75.0
Sawn hardwood (25mm thick plank) (HK\$/m <sup>3</sup> )	3,355.0	3,814.0	3,814.0	3,814.0	4,026.0
Aluminium (US\$ per metric tonne)	2,024.4	2,086.8	1,739.8	1,909.5	1,497.2

*(Source: Census and Statistics Department, HKSAR, Global Economic Monitor (GEM) Commodities, World Bank, Ipsos research and analysis)*

Plywood (19 mm thick) and sawn hardwood (25 mm thick plank) are the most common materials used in timber formwork in Hong Kong. Demand for building construction works drives demand for timber formwork, which in turn supports the price growth of plywood and sawn hardwood. Average price of aluminium dropped to about US\$1,497.2 per metric tonne in 2015. This decrease in average price can be attributed to the rising global aluminium inventories and a surplus of producers as well as the strengthening US\$. In addition, rise in aluminium exports from China could also be one of the reasons driving down the average price of the metal.

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

#### Industry structure

*The formwork works industry in Hong Kong is relatively fragmented*

As of 20 June 2016, according to Construction Industry Council, there are 747 subcontractors on the list of registered subcontractors under formworks category. Apart from our Group, the potential other big players of the formwork works industry are Leung Pui Form Mould & Engineering Co. Ltd, Ming Kee Construction Engineering Limited, Koo Kam Kee Engineering Company Ltd, Chi Kan Engineering Company Ltd., Hop Fat Yuk Ying Engineering Limited, and Cheung Ying Construction Engineering Ltd. According to the Ipsos Report, our Group's market share of the industry in 2015 was about 9.7%. Due to the lack of sufficient publicly accessible information, our ranking and the respective market share of the market players abovementioned in the formwork works industry in Hong Kong were not provided in the Ipsos Report.

Construction Industry Council consists of members representing various sectors of the industry including employers, professionals, academics, contractors, workers, independent persons and Government officials. The main functions of the construction industry council are to forge consensus on long-term strategic issues, convey the industry's needs and

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aspirations to Hong Kong Government, as well as provide a communication channel for the Government to solicit advice on all construction-related matters. In order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics, construction industry council has introduced a Subcontractor Registration Scheme for trade subcontractors taking part in building and engineering works.

### **Factors of competition**

#### *Established reliable working relationships with main contractors, raw material suppliers*

Formwork works contractors are more competitive if they can maintain good relationships with their main contractors and raw material suppliers. For instance, main contractors tend to outsource formwork part of the project to subcontractors who have proven high-quality work and on-time project completion track records, especially subcontractors whom they have previously collaborated with. In addition, maintaining good customer relationships increases a formwork contractor's opportunities to win project tenders. Established long-term business relationships with raw material suppliers provides a formwork contractor more flexibility in negotiating prices, resources allocation and project execution compared with competitors.

#### *Reputation and credibility*

Formwork contractors with a proven track record would have better industry reputation and would be more likely to win project tenders based on their proven reliability and experience in completing formwork works. If a formwork contractor can complete projects on time, perform quality formwork works and meet safety and environmental requirements, it would be regarded as holding proven track records.

### **Market drivers of the formwork works industry in Hong Kong**

#### *The Government's initiative to increase housing as well as land supply for residential and commercial uses*

According to the 2016 Policy Address, the Government will continue to increase land usage for commercial and economic activity through measures such as converting suitable Government, Institution or Community sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district. Furthermore, according to the 2016-17 Budget, the Government has also taken initiatives to convert the Government land use into commercial use. The Government's initiative to increase residential as well as commercial buildings will fuel the building construction industry growth, which in turn will drive the formwork works industry in Hong Kong.

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### **Entry barriers to the formwork works industry in Hong Kong**

*Reputation and proven practical industry experience are the major entry barriers to the formwork works industry in Hong Kong*

Lack of practical industry experience is one of the major entry barriers for the formwork works industry in Hong Kong. In general, main contractors outsource formwork works part to subcontractors based on their track record and experiences to assess their abilities to meet technical, safety, time, and budget requirements of the project. As a result, new entrants with little formwork works track record would not have enough proven experiences to support a higher rating for a customer's consideration during tender.

### **Future opportunities for the formwork works industry in Hong Kong**

*Increasing demand for residential and commercial buildings*

The population of Hong Kong is expected to keep increasing and reach around 8.6 million in 2036. Therefore, it is expected that the demand for residential properties will continue to grow in the near future. According to the 2015 Policy Address, the private sector will build about 14,600 flats per year on average between 2015 and 2019, up by about 28.1% compared with an average of about 11,400 flats per year between 2010 and 2014. The number of public rental housing units completed during 2015-16 and 2019-20 will increase to about 76,000 according to the Housing Authority. In response to increasing demand for residential properties, more renovation and construction projects of residential buildings are expected to be initiated. Moreover, increasing demand for residential properties is expected to lead to rising demand for building construction works, providing growth opportunities to the formwork works industry in Hong Kong.

### **Threats to the formwork works industry in Hong Kong**

Labour cost is one of the major costs of the formwork works industry in Hong Kong. Hong Kong's construction industry has been facing the issue of labour shortage and ageing workforce. With the lack of sufficient workers, especially experienced and skilled, the probability of a project delay in the construction industry as well as the formwork works industry will increase. Furthermore, in order to retain the experienced formwork workers, contractors have started to pay higher wages, which has further increased labor costs in the formwork works industry.

### **Our competitive strengths**

Please refer to the section headed "Business – Our competitive strengths" for a detailed discussion of our Group's competitive strengths.

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This section sets forth a summary of the principal laws and regulations which are relevant to our business in Hong Kong.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

As a subcontractor responsible for controlling the sites of our projects, we are considered a construction site controller under the Immigration Ordinance, and as such we are required to comply with the Immigration Ordinance. For example, we are required to employ only lawfully employable workers to carry out works on the construction sites.

Pursuant to section 38A of the Immigration Ordinance, a construction site controller should prevent (i) illegal immigrants from being on the construction site; and (ii) persons who are not lawfully employable, as defined under the Immigration Ordinance, from taking employment on the construction site. A construction site controller is defined as a principal or main contractor or any person who has control over or is in charge of a construction site.

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment (as defined under the Employment Ordinance).

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

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

Our Group has leased several properties and is considered to be the occupier of such properties under the Occupiers Liability Ordinance. As such, we are required to comply with the Occupiers Liability Ordinance, which regulates the obligations of a person or business occupying or having control of the premises on which injury resulting to persons or damage has been caused to goods or other property lawfully on the premises.

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The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premises to take such care so as to ensure that any person will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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

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

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour (as defined under the Occupational Safety and Health Ordinance) of a work accident by submitting a Form 2 within 14 days for general work accidents or within 7 days for fatal accidents. The employer must submit a Form 2 irrespective of whether the accident gives rise to any liability for the employer to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 and 14 days respectively, the Form 2 must be submitted not later than 7 and 14 days respectively, as the case may be, after the occurrence of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Additionally, pursuant to section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay compensation to the employees of its subcontractors who are injured in accidents arising out of and in the course of employment with the subcontractor. However, a principal contractor is entitled to be indemnified for such compensation by any person who would have been liable to pay compensation to the injured employee.

Under section 40 of the Employees' Compensation Ordinance, all employers, including contractors and subcontractors, are required to take out insurance policies to cover their liabilities in respect of injuries of all employees, including full-time and part-time, from accidents arising out of and in the course of employment. Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount no less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to secure an insurance cover shall be liable on conviction to a fine of HK\$100,000 and to imprisonment for 2 years.

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

Section 43 of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the

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Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, a principal contractor's liability shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of such work; and (ii) the wages due to such employee for 2 months without any deductions (being the first 2 months of the period in respect of which the wages are due).

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

Where applicable, within 14 days of receipt of such notice, the principal contractor shall serve a copy of the notice on every superior subcontractor to that subcontractor of whom it is aware. A principal contractor who without reasonable excuse fails to serve such notice on every superior subcontractor to that subcontractor shall be liable on conviction to a fine of HK\$50,000.

Additionally, under section 43F of the Employment Ordinance, if a principal contractor or superior contractor pays to an employee any wages under section 43C of the Employment Ordinance, such wages shall be a debt due by the employer of that employee to the principal contractor or superior contractor, as the case may be. The principal contractor or superior contractor may either (i) claim contribution from every superior subcontractor to the indebted employer or from the principal contractor and every superior subcontractor to the indebted employer, as the case may be; or (ii) deduct by way of set-off the amount paid by it from any sum due or may become due to the indebted employer in respect of the work to whom it has been subcontracted.

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

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

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

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

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

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

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

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

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

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

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a general building contractor or specialist contractor must satisfy the Buildings Department on the following aspects: (i) if it is a corporation, the adequacy of its management structure; (ii) the appropriate experience and qualifications of its personnel; (iii) its ability to have access to plant and resources; and (iv) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

During the Track Record Period, we acted as a subcontractor for our formwork erection works in relevant building projects in Hong Kong. Our Directors believe that if work is subcontracted to us by a main contractor who is a registered general building contractor or works with a registered specialist contractor under the Buildings Ordinance and who supervises the works conducted by our Group and liaises with the Building Authority, our Group is not required to be registered under the Buildings Ordinance or to obtain any licences, permits or approval for its operations.

### **CONTRACTOR LICENSING REGIME**

#### **The Subcontractor Registration Scheme**

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council. Subcontractors may apply for registration in one or more of four trade groups covering structural and civil works, finishing works, electrical and mechanical works, and supporting services. Such trade groups are further subdivided into 52 trades which are further branched into 94 specialties. A technical circular issued by the Works Branch of the Development Bureau of the Government on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires that all public works subcontractors with tenders to be invited on or after 15 August 2004 to employ all subcontractors, whether nominated, specialist or domestic, registered from the respective trades under the Subcontractor Registration Scheme.

When a contractor subcontracts or sub-lets part of the public works involving trades available under the Primary Register of the Subcontractor Registration Scheme, it shall engage all subcontractors, whether nominated, specialist or domestic, who are registered under the relevant trade specialties in the Primary Register of the Subcontractor Registration Scheme. Should the subcontractors (irrespective of tier) further subcontract any part of the part of public works subcontracted to them involving trades available under the Primary Register of the Subcontractor Registration Scheme, the contractor shall ensure that all subcontractors are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme.

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Under the Subcontractor Registration Scheme, an applicant for registration as a registered subcontractor is subject to entry requirements such as, for example, (i) proof of completion of at least one job within five years as a principal contractor or subcontractor in the areas which it is applying to or comparable experience by itself or through its proprietors, partners or directors within the last five years; or (ii) having been employed, whether by itself or through its proprietors, partners or directors having been employed by a registered subcontractor for at least five years with experience in the trade or specialty which it is applying to and having completed all the modules of the Project Management Training Series for Subcontractors as conducted by the Construction Industry Council.

A registered subcontractor under the Subcontractor Registration Scheme shall apply for renewal within three months before the expiry date of its registration by submitting an application for renewal to the Construction Industry Council, which shall be subject to the approval by the management committee of the Construction Industry Council. An approved renewal of registration shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the management committee of the Construction Industry Council.

Although there is no specific licensing requirement for subcontractors in Hong Kong, Ming Tai CE and Ming Tai Construction are registered under the Subcontractor Registration Scheme.

For details of our Group's registration under the Subcontractor Registration Scheme, please refer to the section headed "Business – Licenses, permits and registration" of this prospectus.

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

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

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

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

In addition, the Air Pollution Control Ordinance requires that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of registered asbestos consultants. Any owner of premises which contain or may

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reasonably be suspected of containing asbestos containing material and/or who intends to carry out work which involves the use or handling of any asbestos containing material in the premises must engage a registered asbestos consultant to carry out an investigation, prepare an asbestos management plan and monitor the implementation of the asbestos management plan and hire a registered asbestos contractor to implement the asbestos management plan and carry out the work.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area on which the construction waste has been deposited within the lot does not exceed 20 m<sup>2</sup>; or (ii) the sole owner or all of the owners of the private lot has given valid permission for the depositing of construction waste on the private lot. Such permission must be in the specified form for permission for the depositing of construction waste on a private lot under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. The acknowledgement must be submitted at least 21 days before the intended date on which the depositing activity is to commence.

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

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

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

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

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

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

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## **REGULATORY OVERVIEW**

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

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

Under the Dumping at Sea Ordinance, any waste producer involved in the disposal of substances and articles at sea or in the sea is required to obtain a permit from the Environmental Protection Department prior to the marine dumping.

Any person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and could be held liable (i) on a first conviction to a fine of HK\$200,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$500,000 and to imprisonment for 2 years, and in any case where the offence is of a continuing nature, a fine of HK\$10,000 for each day on which the offence has continued.

### **The proposed Security of Payment Legislation for the construction industry**

The Development Bureau of the Government launched the 3-month public consultation on 1 June 2015 for the proposed Security of Payment Legislation for the construction industry that aims to improve payment terms and payment delays, encourage rapid dispute resolution and increase cash flow of operators in the construction industry. The Government is currently proceeding with the legislative work with the aim of introducing the bill in relation to the proposed Security of Payment Legislation for the construction industry to the Legislative Council in 2017.

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

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

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## REGULATORY OVERVIEW

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

Any provision in a construction contract purporting to impose “pay when paid” or “pay when certified” clauses or otherwise unfair payment terms that would violate parties’ rights to progress payments or impose longer periods than 60 or 120 calendar days respectively shall be deemed ineffective and unenforceable.

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

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

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

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

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

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### THE CORPORATE HISTORY

Our Group was founded by Mr. Joseph Wang with the establishment of Ming Tai CE in March 1994. Drawing on his experience, expertise and insight into the formwork construction industry, Mr. Joseph Wang established Ming Tai CE with an aim to set up a construction company specialising in the formwork erection business in Hong Kong.

Over the years, Mr. Joseph Wang has continued to expand his operations in the formwork construction industry by establishing Ming Tai Construction in October 1998 to further develop the formwork erection business in the building construction sector in Hong Kong.

### KEY BUSINESS MILESTONES

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

<b>Year</b>	<b>Event</b>
March 1994	Ming Tai CE was established with Mr. Joseph Wang's own funding and commenced its operations in providing formwork construction works in the civil engineering sector in Hong Kong
October 1998	Ming Tai Construction was established and commenced its operations in providing formwork construction works in the building construction sector in Hong Kong
June 2010	Ming Tai Construction was registered as a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council
June 2011	Ming Tai CE was registered as a registered subcontractor under the Subcontractor Registration Scheme of the Construction Industry Council
May 2015	Genuine Technology was established to hold the patents of our Group relating to our business

### OUR GROUP

Our Group has a number of direct and indirect subsidiaries incorporated in the BVI and Hong Kong. Details of the members of our Group and their respective corporate histories are set out below.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 April 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each. On 12 April 2016, one nil-paid Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Wang K M on 12 April 2016 at nil consideration.

On 27 June 2016, our Company further allotted and issued a total of 9,999 nil-paid Shares to Wang K M in consideration for the acquisition from Mr. Joseph Wang of the entire issued share capital in Ming Tai Construction, Ming Tai CE and Genuine Technology by MT Construction, MT Engineering and MT Technology, respectively. The 10,000 nil-paid Shares held by Wang K M were credited as fully-paid on 28 June 2016 in the manner described in the subsection headed “Reorganisation – 4. Transfer of shares of MT Construction, MT Engineering and MT Technology from Wang K M to our Company” below. On 29 June 2016, Wang K M transferred 500 Shares to each of Bright Team and K C Limited pursuant to the Pre-IPO Investments. For details, please refer to the subsection headed “Reorganisation – 5. Pre-IPO Investments” below.

Immediately following the above allotments and share transfers, the shareholding structure of our Company was as follows:

<b>Name of shareholders</b>	<b>Number of Shares</b>	<b>Shareholding %</b>
Wang K M	9,000	90%
Bright Team	500	5%
K C Limited	<u>500</u>	<u>5%</u>
Total	<u>10,000</u>	<u>100%</u>

On 17 January 2017, our Company resolved to increase its authorised share capital from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares, each ranking pari-passu with our Shares then in issue in all respects.

As at the Latest Practicable Date, our Company acted as the holding company of our Group with business being conducted through the operating subsidiaries of our Company, namely Ming Tai CE and Ming Tai Construction and with patents of our Group relating to our business being held by Genuine Technology.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### OUR SUBSIDIARIES

#### MT Construction

MT Construction was incorporated in the BVI on 15 March 2016 with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 15 March 2016, one fully-paid share of MT Construction, representing the entire issued share capital of MT Construction, was allotted and issued to Wang K M at par. As part of the Reorganisation, Wang K M transferred the entire issued share capital of MT Construction to our Company on 28 June 2016. After the aforesaid share transfer, MT Construction became a direct wholly-owned subsidiary of our Company.

MT Construction is an investment holding company and had not commenced any business activities as at the Latest Practicable Date.

#### MT Engineering

MT Engineering was incorporated in the BVI on 15 March 2016 with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 15 March 2016, one fully-paid share of MT Engineering, representing the entire issued share capital of MT Engineering, was allotted and issued to Wang K M at par. As part of the Reorganisation, Wang K M transferred the entire issued share capital of MT Engineering to our Company on 28 June 2016. After the aforesaid share transfer, MT Engineering became a direct wholly-owned subsidiary of our Company.

MT Engineering is an investment holding company and had not commenced any business activities as at the Latest Practicable Date.

#### MT Technology

MT Technology was incorporated in the BVI on 15 March 2016 with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 15 March 2016, one fully-paid share of MT Technology, representing the entire issued share capital of MT Technology, was allotted and issued to Wang K M at par. As part of the Reorganisation, Wang K M transferred the entire issued share capital of MT Technology to our Company on 28 June 2016. After the aforesaid share transfer, MT Technology became a direct wholly-owned subsidiary of our Company.

MT Technology is an investment holding company and had not commenced any business activities as at the Latest Practicable Date.

#### Ming Tai CE

Ming Tai CE was incorporated in Hong Kong with limited liability on 10 August 1993 with an issued share capital of HK\$10,000. On 10 August 1993, one and one share were allotted and issued to the two initial subscribers, respectively, at nominal value. On 28 March 1994, 4,999 and 4,999 shares were allotted and issued to Mr. Joseph Wang and Ms. Ann Wang, respectively, at considerations of HK\$4,999 and HK\$4,999, respectively. On 6

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## HISTORY, DEVELOPMENT AND REORGANISATION

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April 1994, the initial subscribers transferred one and one share of Ming Tai CE to Mr. Joseph Wang and Ms. Ann Wang (who held the share on trust for the benefit of Mr. Joseph Wang) respectively, at considerations of HK\$1.00 and HK\$1.00 respectively. Ms. Ann Wang transferred the legal interest in 5,000 shares of Ming Tai CE to Mr. Joseph Wang at nominal value on 4 February 2016 at a consideration of HK\$5,250, which was determined with reference to the net asset value of Ming Tai CE as at 31 December 2015. Since 6 April 1994, Mr. Joseph Wang has been the beneficial owner of the entire issued share capital of Ming Tai CE.

Ming Tai CE is principally engaged in the businesses of formwork erection and related ancillary services in the civil engineering sector.

### **Ming Tai Construction**

Ming Tai Construction was incorporated in Hong Kong with limited liability on 5 October 1998 with an issued share capital of HK\$1,000,000 as at the Latest Practicable Date. On 5 October 1998, two shares were allotted and issued to the two initial subscribers. On 24 October 1998, the initial subscribers transferred two shares of Ming Tai Construction to Ms. Ann Wang (who held the shares on trust for the benefit of Mr. Joseph Wang) at nominal value. On the same day, 49 and 49 shares of Ming Tai Construction were further allotted and issued to Ms. Ann Wang (who held the shares on trust for the benefit of Mr. Joseph Wang) and Mr. Lam Kin Wing, an independent third party, respectively.

On 20 June 2003, Mr. Lam Kin Wing transferred all of his shares in Ming Tai Construction, being 49 shares, to Mr. Joseph Wang at a consideration of HK\$49, which was determined at arm's length basis by reference to the net liabilities of Ming Tai Construction at the relevant time. On the same day, Ms. Ann Wang transferred the legal interest in 50 shares of Ming Tai Construction to Mr. Joseph Wang at a consideration of HK\$50. On 29 July 2003, the authorised share capital of Ming Tai Construction was increased from HK\$10,000 to HK\$1,000,000. On the same day, 989,901 and 9,999 shares of Ming Tai Construction were further allotted and issued to Mr. Joseph Wang and Ms. Ann Wang (who held the shares on trust for the benefit of Mr. Joseph Wang), respectively at considerations of HK\$989,901 and HK\$9,999, respectively. On 18 May 2010, Ms. Ann Wang transferred the legal interest in 10,000 shares of Ming Tai Construction to Mr. Joseph Wang at nominal value. Mr. Joseph Wang has been the beneficial owner of the entire issued share capital of Ming Tai Construction since 20 June 2003.

Ming Tai Construction is principally engaged in the business of formwork erection and related ancillary services in the building construction sector.

### **Genuine Technology**

Genuine Technology was incorporated in Hong Kong with limited liability on 19 May 2015 with an issued share capital of HK\$10,000. On 19 May 2015, 10,000 shares were allotted and issued to Ms. Ann Wang (who held the share on trust for the benefit of Mr. Joseph Wang) at a consideration of HK\$10,000. Ms. Ann Wang transferred the legal interest

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## HISTORY, DEVELOPMENT AND REORGANISATION

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in 10,000 shares of Genuine Technology to Mr. Joseph at nominal value on 29 January 2016. Mr. Joseph Wang has been the beneficial owner of the entire issued shares of Genuine Technology since its incorporation.

Genuine Technology holds patents of our Group relating to our business in multiple jurisdictions.

### REORGANISATION

#### 1. Incorporation of MT Construction, MT Engineering and MT Technology

- (i) On 15 March 2016, MT Construction was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. One fully-paid ordinary share of MT Construction, representing the entire issued share capital of MT Construction, was allotted and issued at par to Wang K M on 15 March 2016.
- (ii) On 15 March 2016, MT Engineering was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. One fully-paid ordinary share of MT Engineering, representing the entire issued share capital of MT Engineering, was allotted and issued at par to Wang K M on 15 March 2016.
- (iii) On 15 March 2016, MT Technology was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00 each. One fully-paid ordinary share of MT Technology, representing the entire issued share capital of MT Technology, was allotted and issued at par to Wang K M on 15 March 2016.

#### 2. Incorporation of our Company

On 12 April 2016, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On 12 April 2016, one nil-paid Share was allotted and issued to the initial subscriber to the Memorandum and Articles, which was subsequently transferred to Wang K M on 12 April 2016 at nil consideration.

#### 3. Acquisition of Ming Tai CE, Ming Tai Construction and Genuine Technology

- (i) On 27 June 2016, MT Construction acquired the entire issued share capital in Ming Tai Construction, in consideration of which our Company allotted and issued 3,333 nil-paid Shares to Wang K M. Upon the acquisition, Ming Tai Construction became a wholly-owned subsidiary of MT Construction.
- (ii) On 27 June 2016, MT Engineering acquired the entire issued share capital in Ming Tai CE, in consideration of which our Company allotted and issued 3,333 nil-paid Shares to Wang K M. Upon the acquisition, Ming Tai CE became a wholly-owned subsidiary of MT Engineering.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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(iii) On 27 June 2016, MT Technology acquired the entire issued Shares in Genuine Technology, in consideration of which our Company allotted and issued 3,333 nil-paid Shares to Wang K M. Upon the acquisition, Genuine Technology became a wholly-owned subsidiary of MT Technology.

#### **4. Transfer of shares of MT Construction, MT Engineering and MT Technology from Wang K M to our Company**

On 28 June 2016, our Company acquired the entire issued share capital in each of MT Construction, MT Engineering and MT Technology from Wang K M in consideration of which our Company credited as fully-paid the 10,000 nil-paid Shares held by Wang K M.

After the aforesaid transactions, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiaries of our Group, namely Ming Tai CE and Ming Tai Construction, and its patents being held by Genuine Technology.

#### **5. Pre-IPO Investments**

On 29 June 2016, Wang K M, as vendor, and Bright Team, as purchaser, entered into a sale and purchase agreement, pursuant to which Bright Team agreed to acquire 500 Shares in our Company, representing 5% of the issued share capital of our Company at the relevant time, from Wang K M at a consideration of HK\$20,000,000.

On 29 June 2016, Wang K M, as vendor, and K C Limited, as purchaser, entered into a sale and purchase agreement, pursuant to which K C Limited agreed to acquire 500 Shares in our Company, representing 5% of the issued share capital of our Company at the relevant time, from Wang K M at a consideration of HK\$20,000,000.

Details of the Pre-IPO Investments are summarised below:

##### **Pre-IPO Investment 1**

Name of investor	:	Bright Team
Date of the Pre-IPO Investment 1 agreement:	:	29 June 2016
Number of Shares acquired	:	500
Amount of consideration paid	:	HK\$20,000,000
Date of payment of the consideration in full	:	29 June 2016
Effective cost per Share <sup>(Note 1)</sup>	:	Approximately HK\$0.41
Percentage of shareholding upon Listing <sup>(Note 2)</sup>	:	49,200,000 Shares, representing 4.1% of the issued share capital of our Company upon Listing

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Pre-IPO Investment 2

Name of investor	:	K C Limited
Date of the Pre-IPO Investment 2 agreement:	:	29 June 2016
Number of Shares acquired	:	500
Amount of consideration paid	:	HK\$20,000,000
Date of payment of the consideration in full	:	29 June 2016
Effective cost per Share <sup>(Note 1)</sup>	:	Approximately HK\$0.41
Percentage of shareholding upon Listing <sup>(Note 2)</sup>	:	49,200,000 Shares, representing 4.1% of the issued share capital of our Company upon Listing

*Notes:*

1. For illustration purposes only. Based on the indicative Offer Price range, representing a discount of approximately 23.3% to HK\$0.53 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 39.3% to HK\$0.67 per Share, being the upper end of the stated Offer Price range.
2. Assuming completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The said considerations were arrived at after arm's length negotiations between the parties with reference to the net profit of our Company for the year ended 31 March 2016, the price-to-earnings multiples of comparable companies listed on the Stock Exchange, and the prospect of our Group. The aforesaid transactions were legally completed and the considerations were settled on 29 June 2016. Our Directors are of the view that the Pre-IPO Investments were entered into on normal commercial terms.

Bright Team is a company incorporated in the Seychelles on 13 May 2016 with limited liability and its entire issued share capital is owned by Mr. Tang, an independent third party. The principal business activity of Bright Team is investment holding. As at the Latest Practicable Date, Mr. Tang is also the chairman of the board of directors and an executive director of Clear Lift Holdings Limited (Stock Code: 1341), a company listed on the Main Board of the Stock Exchange and is principally engaged in the businesses of rental of construction machinery and trading of construction machinery and parts. Mr. Tang has been acquainted with Mr. Joseph Wang for over five years in a business occasion. Due to the possibility of the potential listing of our Group, Mr. Tang expressed his interest in investing in our Group. After conducting due diligence work, Mr. Tang decided to invest in our Group.

K C Limited is a company incorporated in the BVI on 15 June 2016 with limited liability and its entire issued share capital is owned by Ms. Cheung, an independent third party. The principal business activity of K C Limited is investment holding. Ms. Cheung is a

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## HISTORY, DEVELOPMENT AND REORGANISATION

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former employee of our Group. Due to the possibility of potential listing of our Group, Ms. Cheung expressed her interest in investing in our Group. After conducting due diligence work, Ms. Cheung decided to invest in our Group.

Bright Team, K C Limited and their respective ultimate shareholder, namely Mr. Tang and Ms. Cheung, are independent from each other. As advised by Mr. Tang and Ms. Cheung, they invested in our Group due to their confidence in the business prospects of the formwork construction industry in Hong Kong and in the management and potential of our Group. Our Directors believe that the Pre-IPO Investments would strengthen the shareholder base of our Group and enhance its corporate governance practice and business network. Our Company considers that by introducing Bright Team and K C Limited as additional shareholders, our Group would benefit from the insights and management experiences of Mr. Tang and Ms. Cheung. A more diversified shareholding structure of our Group is also expected to promote accountability of the management of our Group to our shareholders, which would facilitate and strengthen the internal control of our Group. Save as aforesaid, each of Mr. Tang, Ms. Cheung, Bright Team and K C Limited and their respective associates are not connected (as defined in the Listing Rules) with our Group or any of its connected persons (including the Controlling Shareholders).

As a result of the completion of the Pre-IPO Investments, the shareholding structure of our Company was as follows:

<b>Name of shareholders</b>	<b>Number of Shares</b>	<b>Shareholding %</b>
Wang K M	9,000	90%
Bright Team	500	5%
K C Limited	<u>500</u>	<u>5%</u>
Total	<u>10,000</u>	<u>100%</u>

Upon Listing, Bright Team and K C Limited would be interested in 4.1% and 4.1% of the issued share capital of our Company, respectively.

Bright Team, K C Limited, Mr. Tang and Ms. Cheung are not involved in the management and daily operations of our Group.

The Shares held by the aforesaid investors are not subject to any lock-up after the Listing Date and are considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules because none of them will be a core connected person of our Company upon the Listing or will be accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares, nor have the acquisition of the shares as described above been financed directly or indirectly by any core connected person of our Company.

Pursuant to the agreements in relation to the Pre-IPO Investments, each of Bright Team and K C Limited is not entitled to any special rights in connection with the Pre-IPO Investments. The Sponsor confirmed that the Pre-IPO Investments are in compliance with

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## HISTORY, DEVELOPMENT AND REORGANISATION

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the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee and dated 13 October 2010 (HKEx-GL29-12) since the consideration under each of the agreements was settled more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing. The Sponsor also confirmed that the Pre-IPO Investments are in compliance with Guidance Letter HKEx-GL43-12, whereas the Guidance Letter HKExGL44-12 is not applicable to the Pre-IPO Investments.

No net proceeds arose from the Pre-IPO Investments to our Group.

### **6. Capitalisation Issue and Share Offer**

Subject to (i) all the Shareholders passing the necessary shareholders resolutions; and (ii) the Share Offer becoming unconditional and the share premium account of our Company having sufficient balance, our Directors were authorised to capitalise the amount of approximately HK\$9,839,900 standing to the credit of the share premium account of our Company by applying such sum in paying up a total at par of 983,990,000 Shares for allotment and issue to the then Shareholders as at 17 January 2017 in proportion to their respective shareholdings in our Company.

Our Company will offer 30,000,000 Public Offer Shares under the Public Offer for subscription by the public of Hong Kong and 270,000,000 Placing Shares under the Placing comprising 186,000,000 new Shares offered by the our Company for subscription by and 84,000,000 Sale Shares offered by the vendor for sale to professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

### **EXCLUDED BUSINESS**

Right Choice is not included in our Group as part of the Reorganisation. Set out below are the details of Right Choice.

#### **Right Choice**

Right Choice was incorporated in Hong Kong on 2 September 2011 with limited liability and it was owned as to 51%, 24.5% and 24.5% by Mr. Joseph Wang and two independent third parties, respectively, immediately before its dissolution. Its principal business was provision of construction engineering services. According to its audited financial statements, Right Choice recorded net profits of approximately HK\$1,080,000, HK\$609,000 and HK\$131,000 for the years ended 31 March 2014, 2015 and the ten months ended 31 January 2016 (the date of cessation of business), respectively.

Having considered that (i) the cooperation with the other two shareholders of Right Choice was satisfactory, and (ii) Mr. Joseph Wang decided to dedicate most of his time to our Group’s business, Right Choice was therefore deregistered and our Group gradually subcontracted some works to an independent third party, a company set up by the two shareholders abovementioned. As far as Mr. Joseph Wang is aware, there were no material disputes between Right Choice, our Group and their respective ultimate shareholders and

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## HISTORY, DEVELOPMENT AND REORGANISATION

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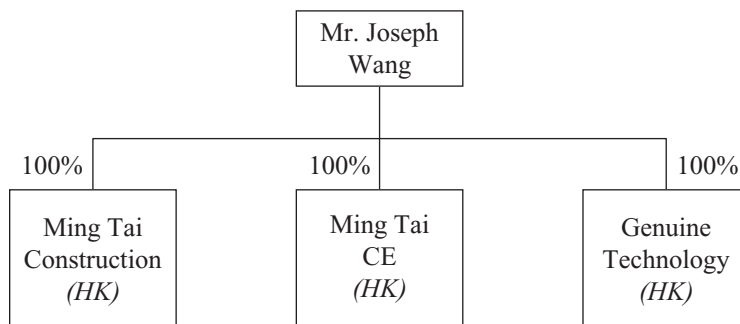
Right Choice had no material or systemic non-compliance of rules and regulation during the Track Record Period and up to 13 January 2017. Right Choice was deregistered on 13 January 2017.

### LOCK-UP UNDERTAKINGS

Each of our Controlling Shareholders, namely Mr. Joseph Wang and Wang K M, has undertaken to our Company that, it/he will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is required under Rule 10.07 of the Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder. Please refer to the sections headed "Relationship with our Controlling Shareholders – Lock-up undertakings" and "Underwriting – Voluntary lock-up undertaking by our Controlling Shareholders" in this prospectus for further details.

### THE CORPORATE STRUCTURE OF OUR GROUP

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

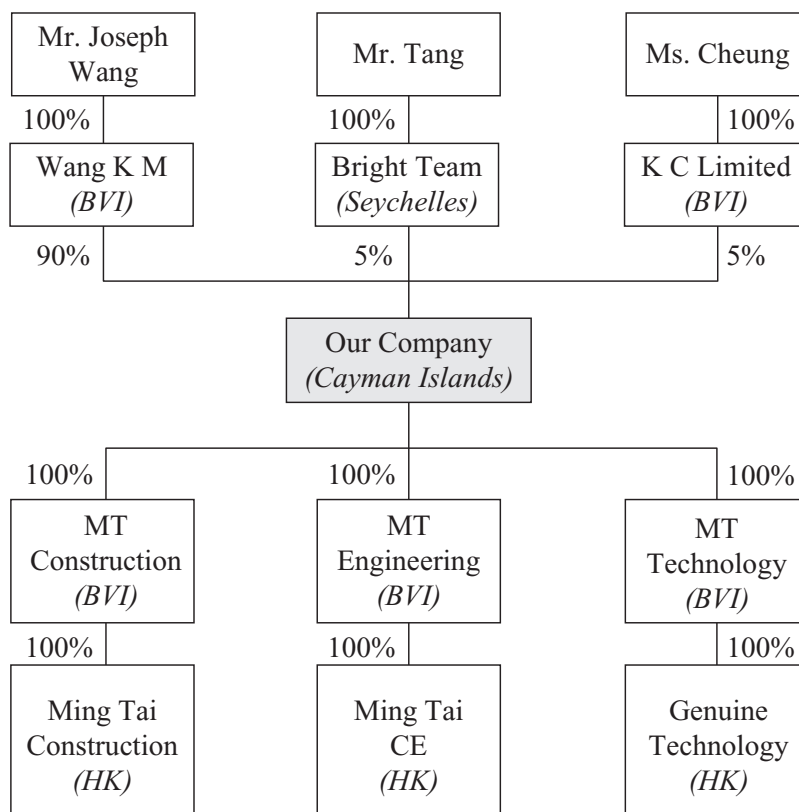


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## HISTORY, DEVELOPMENT AND REORGANISATION

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

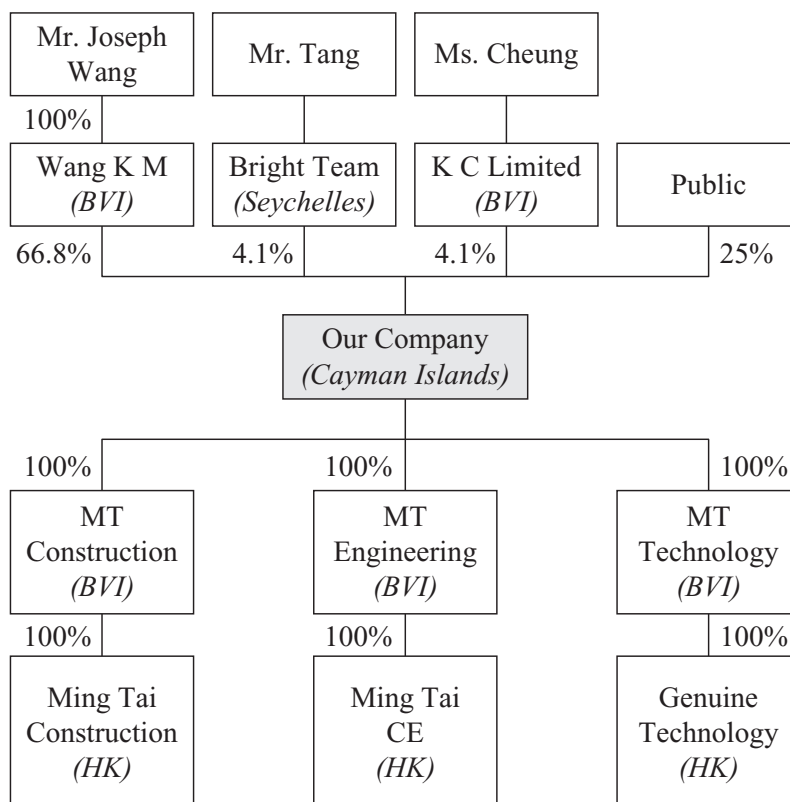


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## HISTORY, DEVELOPMENT AND REORGANISATION

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The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



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## BUSINESS

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### OVERVIEW

We are a major subcontractor specialising in providing formwork erection as well as related ancillary services in Hong Kong. According to the Ipsos Report, our Group accounted for about 9.8% of the total industry revenue in Hong Kong for the financial year ended 31 March 2016, when there were over 740 subcontractors on the list of registered subcontractors under formworks category. In addition to traditional timber formwork erection, we are capable of assembling system formwork, which are formwork made of aluminium or steel for both building construction and civil engineering projects.

Our formwork business started since 1994 and we have accumulated more than 22 years of experience. We have also participated in a number of large-scale construction projects. Through our continuous efforts in improving and refining our workmanship and construction management, we have developed our own building construction and coding process systems, which are registered with patents held under our Group.

We actively undertake large-scale formwork erection projects for building construction and civil engineering. We have completed 11 building construction and 4 civil engineering projects during the Track Record Period and up to the Latest Practicable Date, and we have 10 building construction and 5 civil engineering projects on hand as at the Latest Practicable Date with outstanding contract sums as at 31 July 2016 of approximately HK\$488,397,000 and HK\$240,439,000, respectively.

Our direct customers are main contractors of building construction and civil engineering projects while our ultimate customers are owners of the projects, which include the Government, public transport operator, theme park and resort operator and property developers. We strive to maintain good relationship with our major customers to establish good reputation and to gain future business opportunities. We are dedicated to provide our engineering services in professional, reliable, environmentally conscious and safe manner and delivering our works with speed and quality. We have received a number of awards, including the Model Subcontractor Award-Gold Award in 2016, from our clients and the Government in appreciation of our health, safety and housekeeping performance during the Track Record Period. We believe that our track record and our portfolio of large number of success cases are crucial for us in taking up new projects as our clients would normally take into account the recent working experience when they consider inviting subcontractors for submitting quotation. We secure our projects by undergoing a competitive bidding process.

During the Track Record Period, our revenue was approximately HK\$318,287,000, HK\$287,660,000, HK\$481,943,000 and HK\$152,346,000 for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. Our net profit for the corresponding periods was approximately HK\$39,166,000, HK\$34,270,000, HK\$49,791,000 and HK\$18,039,000, respectively.



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### **OUR COMPETITIVE STRENGTHS**

We believe we have stayed ahead of our competitors by having the following competitive strengths:

#### **Proven track record in handling various major construction projects**

Over the past 22 years of our history, we have successfully completed different types of construction projects of various scales and complexity. We have vast experience in erecting formwork for constructing reinforced concrete structures, such as buildings and infrastructure. We provide customised formwork solution for our customers to meet their technical specifications and unique requirements. During the Track Record Period, we participated in various mega civil engineering projects such as the Expressway Rail Link West Kowloon Terminus Station South and Shatin to Central Link (Stations and Tunnels of Kowloon City Section) and building construction projects such as the M+ Museum Project, redevelopment of a commercial centre located at Tsim Sha Tsui and a hotel development located on Lantau Island, each having a contract sum exceeding HK\$100 million. As at the Latest Practicable Date, the initial contract sum for our projects on hand amounted to approximately HK\$1,442,562,000. Our Directors consider that our capability of handling both building construction and civil engineering projects could diversify our source of income and strengthen our market share in the construction industry. Our Directors believe that we stand out among our competitors as our clients can handily approach us regardless of which sectors their projects belong to. We also believe our ability and track record of handling various sorts of construction projects have established our reputation and gained our customer's confidence, hence enabling us to secure our continuous project flow.

#### **Stable relationships with our construction materials suppliers and subcontractors**

We pride ourselves on not having encountered problem in shortage of workers. In the midst of perceived labour shortage in the construction industry, we are able to retain the ability to mobilise a large workforce and do so efficiently. We achieve this by maintaining a good, stable and long-term relationship with each of our subcontractors and leveraging our extensive operational and managerial experience. We accomplish operational efficiency and thus optimise profitability by subcontracting labour intensive works to our subcontractors. We acknowledge that a stable relationship with our subcontractors is crucial to our business success, particularly for contractors like our Group with heavy involvement in projects of substantial size, where critical deployment of labour is needed to avoid project delay. We manage to keep 1 to 6 years of business relationship with our major subcontractors.

Our major materials used on site, namely timber and metal formwork components, metal scaffolds and related equipment and metalware products, are either purchased or rented. Riding on our involvement in the Hong Kong construction industry, we consider ourselves to have favourable bargaining position over our suppliers and we have secured our materials on relatively stable price and terms. Our major suppliers have 2 and 13 years of business relationship with us.

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The construction industry in Hong Kong has long faced the challenge of skilled labour shortage and an ageing labour market. Our Directors however believe that our project team, coupled with our supportive subcontractors and suppliers, could set us apart from our competitors to deliver the necessary workforce and materials to complete our work on time.

### **Seasoned and competent management team and engineers**

Our management team has extensive knowledge in the formwork assembling and solution design. Our executive Directors, Mr. Joseph Wang and our senior management personnel for project works, namely Mr. Chan Yiu Kwok, Mr. Wong Wai Kai and Mr. Ng Ho Lam, having over 35, 36 and 25 years of practical experience in the construction industry, and have been in charge of various large-scale construction projects involving numerous types of formwork solutions. Our Group also has a team of engineers who have received formal engineering training and as such we are able to provide professional, specialised and customised formwork solutions with mechanical calculations. We consider that our experienced management team facilitates our preparation of competitive quotations and identification of the most suitable formwork solutions which is both safe and economical and our Directors consider that our management and technical teams' extensive expertise and knowledge of the formwork works industry will continue to be our valuable assets and strive our Group towards further success.

### **Dedication in innovation and improvement of construction methods**

According to the Ipsos Report, the design and use of a suitable formwork system, as well as implementation of an effective resource planning strategy to control and maximise the use of the formwork system are crucial to the overall success of a construction project. We believe that we are one of the few formwork erection subcontractors in Hong Kong that is capable of providing traditional formwork and system formwork in large-sized construction projects with design capacity (i.e. "design-and-build"), whether in building construction or civil engineering sectors. We believe this is owing to our efforts in improving our technical skills and construction methods. It is also our formwork "design-and-build" ability which distinguishes us from the common "build-only" contractors, i.e., erect the formwork according to the specifications provided by the client or engineer. Riding on our experience in different formwork projects, our team of engineers is specialised in suggesting and designing what we believe is the most cost effective formwork solution to our client.

We have successfully registered a number of patents for our own construction methods in Hong Kong and the PRC, where we believe our sophisticated and innovative know-how is unique in the formwork erection industry. The patents relate to the coding of our system formwork and construction methods of commercial buildings. Please refer to the section headed "B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus for further details.

In tendering phase, it is our practice to propose our comprehensive formwork solution to our customers in prequalification interviews to gain their trust and improve the chance of award. By going through this process, we may obtain more information on the potential projects, in particular, the anticipated difficulties and resources required and thus facilitate ourselves to formulate a competitive tender submission utilising innovative and improved construction methods.

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Our Directors believe that by continuously improving our construction methods, we can stay at the forefront of the formwork works industry, promote our competitiveness and be persuasive to our clients for continuously engaging us.

### **OUR CORPORATE STRATEGIES**

Creating long-term Shareholders' value is central to our business objective. We have formulated the following business strategies to strengthen our position as an active and major formwork works subcontractor in Hong Kong:

#### **Strengthen our capacity and expand our market share**

We plan to continue to strengthen our capacity in undertaking further formwork projects in Hong Kong. Given that we have been invited to submit tenders for a large number of projects, our Directors consider that our Group has plenty of opportunities to expand our business. Taking into account (i) the value of construction projects commissioned by main contractors in the public sector increased at a CAGR of 16.3% in the past five years according to the Ipsos Report, and (ii) the 2016 Policy Address provides that 76,700 public rental housing units and 20,400 subsidised sale units will be produced over the next five years. As such, our Directors are further of the view that the demand of our services from the public building construction sector is strongly supported. During the Track Record Period, we have been involved in 4 public building construction projects. Our Directors take the view that the public building construction sector will continue to thrive and will become a potential driver for our business growth. However, our Group has to be financially well prepared to take on extra projects in this sector as the upfront set up costs will tie up our Group's resources. In particular, public projects with huge project sum, whereby cash inflows are expected to be slower than projects in the private sector. Upon Listing, our Group will be advantaged by utilising part of the net proceeds received from the Share Offer to strengthen our available financial resources and applying it to finance the initial costs to be incurred in the early stage of the projects, which will include the design of formwork and falsework, purchase of construction materials and the payment of wages to staff of our Group and our subcontractors. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

#### **Upgrade our management information system and enhance our overall efficiency**

Along with the business development of our Group, our Group size grows and we increasingly feel the need to monitor and manage our resources and labour efficiently and effectively. After the Listing, we plan to upgrade our information technology system, which will have functions in providing management information for us to streamline the workflow of our management process, such as the issue of payment applications and their settlement status. This will team up with our construction projects and costs comparison with an aim to maximise our management efficiency and therefore resulting in cost reduction. The new information technology system will be designed and tailored-made for our Group by experienced enterprise software corporation. Our Directors believe that specialised personnel will be required for operating the new information technology system and we will recruit them through various channels. We intend to recruit two information technology technicians for the operation of our information technology system. We plan to invest and spend

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approximately HK\$10.0 million for the acquisition of the information technology system abovementioned, which will be financed by the funds raised from the Share Offer. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

### **Acquire permanent office space for our business expansion**

Currently our headquarters at Legend Tower in Kwun Tong is leased for use with remaining tenancy until February 2018. Our Directors consider that it would be in our best interest to purchase office space in similar location to cope with our business expansion and cater to the increasing labour force, which has almost utilised almost all of the space in our headquarters. Our Directors consider that the purchase of office space could mitigate risk of increasing rental expenses. We expected to pay in full for the acquisition of new office. The office space we plan to acquire is ideally located in Kwun Tong as our supporting warehouse and back office is also located in Kwun Tong. The target size of the office space would be around 4,000 sq. ft., depending on the overall suitability and actual purchase cost. As at the Latest Practicable Date, we had not yet identified any target office space but our Directors confirm that we will not purchase property from any connected persons of our Company. We budget the total purchase price, including the associated transaction costs such as commission, stamp duty and legal costs, as well as renovation costs, to be approximately HK\$45 million and we expect this amount to be financed by the funds raised from the Share Offer. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

### **Exercise financial management to ensure sustainable growth and capital sufficiency**

We will continue to closely monitor our capital and cash positions, particularly our subcontracting fees which cover labour costs and material costs which have augmented in recent years. In the process of identifying and capturing emerging opportunities, we will continue to deploy our resources to focus on projects which are more profitable. We will continue to focus on our internal control system to ensure adequate cash flow for our ongoing capital requirements, and to achieve maximum cost savings.

## **OUR BUSINESS OPERATIONS**

We principally offer formwork design and erection services which are one of the essential steps for the construction of reinforced concrete structures. Our formwork solution can be tailored for different sizes and shapes of concrete structures with various specified classes of finish. In association with our formwork erection, we design and construct falsework for (i) the workers’ safe access to erect formwork; (ii) fixing of concrete reinforcement and pouring of concrete; (iii) temporary support for concrete slab or beam or other superstructure; and (iv) sometimes as alternative to traditional bamboo scaffolding. Set forth below is a brief overview of each type of products we offered during the Track Record Period:

### **Formwork design and erection**

Formwork is a temporary mould into which concrete is poured and allowed to set. Before concrete is poured in, reinforcement bars are very often fixed inside the mould to give the concrete sufficient strength. The formwork system also consists of falsework for the support of the mould, the casted concrete and other working loads vertically and/or laterally. Depending on the type of reinforced concrete structure, the loads which the formwork system will bear will be different. Under normal circumstances, when the concrete reaches the required strength after it is poured into the formwork, the formwork must be dismantled. Our typical role in a construction project is a formwork subcontractor which is to design and construct the most suitable formwork system, and dismantle it when the concrete structure is self-supporting. The main types of formwork systems we offer are broadly classified as (1) timber formwork; (2) aluminium formwork; and (3) steel formwork, where (2) and (3) are often referred as to system formwork, each with distinctive characteristics and are discussed below in more detail.

#### **(1) Timber formwork**

Our Directors consider that timber formwork is the most common type of formwork applied in both large and small construction projects in Hong Kong owing to several of the key advantages as compared to metal formwork: (i) relatively economical in cost in usual situation; (ii) light weight facilitating transportation and can be carried by hand; and (iii) the ease to erect into different shapes as timber panel can be cut fast with hand-held tools in-situ.

The timber formwork system is usually composed of several typical components, namely (i) a wooden facing panel, which is the sheet material directly in contact with the concrete to be poured and forms the surface into the preferred shape and finish; (ii) timber beams, which are made of timber and usually fixed at even interval to the facing panel to support the loading against the facing panel when concrete is poured and other live loads are applied; (iii) walings, which are timber members spanning in wall formwork and connected to the timber beams, used to be clamped by tie bolts; (iv) tie bolts, which are inserted and tied through the two pieces of facing panel forming the mould of wall or column to overcome the fluid pressure when fresh concrete is poured in, the tie bolts are usually encased in a circular PVC tube for ease of removal after the concrete is casted; and (v) bracings, which help the formwork to resist wind loads and impacts. For the construction of reinforced concrete slab or other overhead structure, vertical props which are metallic strut to transfer vertical load from above, which is the load of the formwork and the weight of the reinforced concrete, to the ground are also required. The following diagrams illustrate the two standard forms of our timber formwork system.



**Timber wall formwork**



**Timber slab formwork**

**(2) Aluminium formwork**

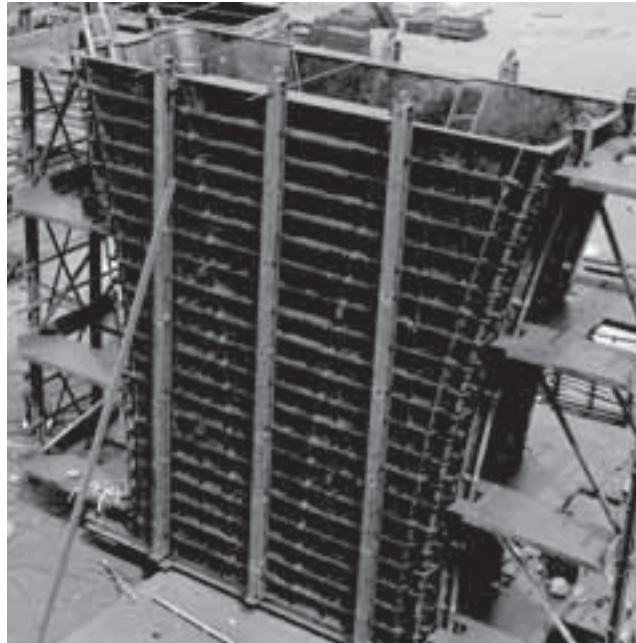
Aluminium formwork is sometimes used in larger construction projects or in situations where large number of re-use of shuttering in the same project is anticipated, such as in a building construction project which involves largely identical storeys. Aluminium formwork are stronger and more durable than timber formwork and the chance of reuse is much higher. Compared with timber formwork system, aluminium formwork system is easier and faster to assemble and dismantle and less demanding on skills, hence lower level and cheaper labour are able to handle. The quality of concrete surface finish is expected to be better than that formed by timber formwork. But unlike timber which can be sawed into particular shape, aluminium part cannot be reshaped once it is fabricated. The aluminium formwork system is structurally similar to timber formwork system and typically consists of (i) aluminium facing panel with primary bearers pre-fixed at the other side of the panel; (ii) aluminium waling; and (iii) tie bolts. The following diagrams illustrate our typical aluminium formwork system.



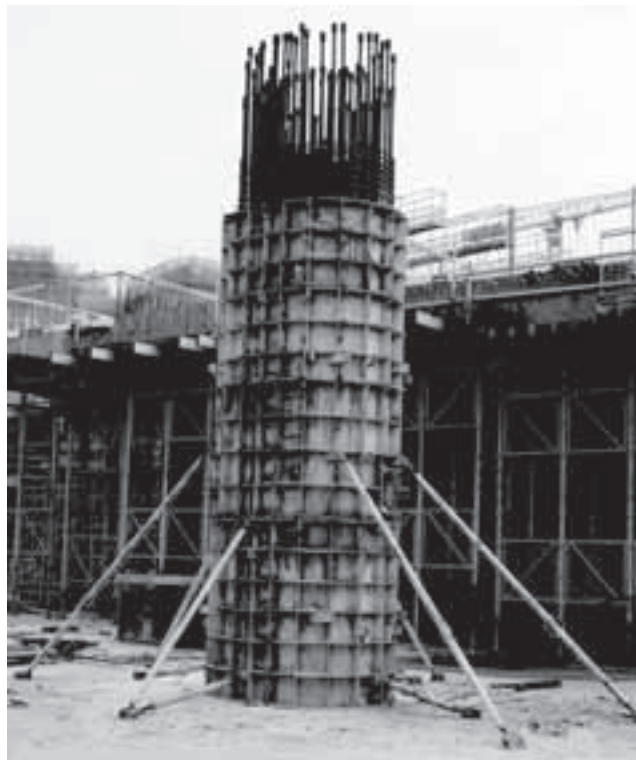
**Aluminium formwork for wall and staircase**

**(3) Steel formwork**

Similar to aluminium formwork, steel formwork is often used in large construction projects with repetitive structures such that high frequency of re-uses of the same formwork is anticipated. It is best used for circular or curved shaped concrete structures such as circular columns, bridge columns, where timber formwork is unable or inefficient to offer such irregular or curved shapes. Steel formwork is stronger than timber formwork and aluminium formwork and hence more durable and expectedly has longer life. However, as steel is denser than aluminium, we consider steel formwork parts incapable of being hand carried and additional resources are required for hoisting and supporting them. The steel formwork system also enables shorter assembling and dismantling time as compared to timber formwork system and offers better concrete finish quality. Like aluminium, the shape of steel formwork cannot be altered once fabricated. The following diagrams illustrate our typical steel formwork system.



**Steel formwork for bridge column**



**Steel formwork for circular column**



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### *Formwork finish classes*

Different concrete structures may require different concrete surface finishes, such as the texture, pattern or appearance of the hardened concrete, and the required standard is stipulated in the contract specifications.

While occasionally there may be special finishes, in typical cases, concrete surface finish falls within the following major classes, which our Group is capable of offering:

Class of finish	Type of formwork normally used	Formwork pattern	Characteristics of finish		
			Abrupt irregularities permitted	Gradual irregularities permitted	Specific requirements
F1	Sawn timber	Not required	< 10 mm	< 15 mm in 2 m	No specific requirements
F2	Plywood	Holes left by formwork ties and components in concrete surfaces shall be in line horizontally and vertically and form regular pattern	< 5 mm	< 10 mm in 2 m	Even surface and no grout runs
F3	Plywood	Holes left by formwork ties and components in concrete surfaces shall be in line horizontally and vertically and form regular pattern	< 3 mm	< 5 mm in 2 m	Even surface and no grout runs
F4	Sealed plywood	Holes left by formwork ties and components in concrete surfaces shall be in line horizontally and vertically and form regular pattern	< 3 mm	< 5 mm in 2 m	Uniform, dense and smooth surface, no grout runs, grain pattern crazing or major blemishes
F5	Sealed plywood	Holes left by formwork ties and components in concrete surfaces shall be in line horizontally and vertically and form regular pattern	< 2 mm	< 3 mm in 2 m	Uniform, dense and smooth surface, no grout runs, grain pattern crazing, blemishes, staining or discolouration

### *Metal scaffolding and related equipment*

In assembling falsework, other than timber, metal scaffolds and frames are another key components which have the required strength to support the formwork and other working loadings.

### **Falsework design**

Falsework's primary goal is to support the formwork before the permanent concrete structure has gained sufficient strength for self-supporting as well as supporting the working loads. It is also a law in Hong Kong to ensure safety of a workplace under sections 6A and 6B of the Factories and Industrial Undertakings Ordinance (Cap. 59) and the Construction Sites (Safety) Regulations (Cap. 59I). Our Group employed engineers to design the falsework used for our formwork systems to ensure the falsework can safely resist the effects of the loads without undue movements in accordance with recognised engineering principles. The falsework design normally comprises (i) construction drawings and specifications specifying the framing; (ii) mechanics calculation; (iii) construction details; (iv) methods and sequence of erection; (v) standard of materials; and (vi) method statement for dismantling. Loadings which the falsework is expected to bear are taken into account in the design normally include (i) weights of the falsework, the formwork, the permanent structure, temporary storage of materials and machinery; (ii) impact of construction

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operations; (iii) hydrostatic pressure such as wet concrete or other external source; (iv) vibration effects such as those due to concrete vibrations; slenderness of props; traffic loads; and (v) other identified loadings.

The falsework design is also required to be certified by an independent checking engineer and approved by the resident engineer of the Government or with appropriate qualification. The as-built falsework is also subject to the inspection of the independent checking engineer who will give an opinion as to whether the falsework complies with the original submitted design before loadings can be applied.

Metal props, scaffolds and related equipment are commonly used in our formwork system as supporting scaffolding in the falsework system. Metal scaffold also provides safe access and working platform for the erection of formwork and other construction activities.

### OUR PROJECTS

Set out below is the table showing the number of contracts completed and commenced and the respective initial contract sum during the Track Record Period and as at the Latest Practicable Date:

	<b>Number of contracts</b>	<b>Initial contract sum <sup>(Note)</sup> HK\$'000</b>
<b>As at 1 April 2013</b>		
Existing contracts	8	649,051
<b>During the year ended 31 March 2014</b>		
New contracts commenced	3	173,526
<b>As at 31 March 2014</b>		
Existing contracts	11	822,577
<b>During the year ended 31 March 2015</b>		
Contracts completed	4	146,633
New contracts commenced	5	163,010
<b>As at 31 March 2015</b>		
Existing contracts	12	838,954
<b>During the year ended 31 March 2016</b>		
Contracts completed	7	75,563
New contracts commenced	8	480,493
<b>As at 31 March 2016</b>		
Existing contracts	13	1,243,884

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	<b>Number of contracts</b>	<b>Initial contract sum <sup>(Note)</sup> HK\$'000</b>
<b>During the four months ended 31 July 2016</b>		
Contracts completed	2	152,939
New contracts commenced	1	86,638
<b>As at 31 July 2016</b>		
Existing contracts	12	1,177,583
<b>For the period between 1 August 2016 and before the Latest Practicable Date</b>		
Contracts completed	2	52,291
New contracts commenced	5	317,270
<b>As at the Latest Practicable Date</b>		
Existing contracts	15	1,442,562

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

The following table sets out the movement of our projects by outstanding contract value during the Track Record Period:

	<b>For the year ended 31 March</b>			<b>For the four months ended 31 July</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding contract value brought forward from the last financial year/period	310,650	437,742	505,191	728,285
Add: value of the new projects and variation orders which were awarded or certified in the financial year/period	445,379	355,109	705,037	152,897
Less: Revenue recognised in the financial year/period	<u>(318,287)</u>	<u>(287,660)</u>	<u>(481,943)</u>	<u>(152,346)</u>
Outstanding contract value on hand as at the year/period end date	<u>437,742</u>	<u>505,191</u>	<u>728,285</u>	<u>728,836</u>

**Projects on hand**

As at the Latest Practicable Date, we had 15 projects on hand (including projects in progress and projects which are yet to commence), details of which are as follows:

No.	Location of project	Nature of project	Project commencement date	Expected completion date	Initial contract sum	Revenue recognised for the year ended 31 March		Revenue recognised for the four months ended 31 July	Accumulative turnover recognised during the Track Record Period	Accumulative turnover recognised since the project commencement date up to the end of Track Record Period	Outstanding contract sum as at 31 July 2016	Expected revenue to be recognised for the		six months ending 30 September 2018	
						2014	2015					2016	2017		2018
					HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	two months ended 30 September 2016	six months ending 31 March 2017	HKS'000	
1	Yau Tsim Mong District	Public - civil engineering	October 2011 <sup>(Note 8)</sup>	March 2017	86,124	-	1,554	25,319	55,641	55,641	24,586	10,280	14,306	-	-
2	Kowloon City District	Public - civil engineering	September 2012	June 2017	113,672	88	7,353	25,701	68,088	68,088	168,720	19,123	87,541	62,056	-
3	Yau Tsim Mong District	Public - civil engineering	January 2011	May 2017	252,577	141,023	152,826	15,950	477,428	563,245	39,509	888	19,300	19,121	-
4	Islands District	Private - building construction	January 2015	February 2017	116,041	-	11,037	6,059	115,784	115,784	11,465	4,911	6,554	-	-
5	Islands District	Private - building construction	April 2015	March 2017	18,266	-	-	4,458	26,005	26,005	-	1,550	-	-	-
6	Central and Western District	Private - building construction	June 2015	February 2017	21,898	-	5,104	16,375	21,479	21,479	1,402	1,402	-	-	-
7	Eastern District	Public - building construction	July 2015	August 2017	25,988	-	-	5,876	10,262	10,262	15,732	2,842	2,804	10,086	-
8	Yau Tsim Mong District	Public - building construction	October 2015	August 2018	386,158	-	-	14,002	18,896	18,896	372,262	18,909	25,198	135,000	85,377
9	Tuen Mun District and Islands District	Public - civil engineering	January 2016	January 2017	179,929	-	-	7,138	10,460	10,460	7,624	4,278	3,346	-	-
10	Kowloon City District	Private - building construction	May 2016	December 2017	86,638	-	-	760	760	760	85,878	6,207	28,472	28,800	22,399
11	North District	Public - civil engineering	August 2016	August 2017	15,896 <sup>(Note 5)</sup>	-	-	-	-	-	15,896	174	3,401	6,000	4,718
12	Eastern District	Private - building construction	September 2016	March 2018	54,577 <sup>(Note 6)</sup>	-	-	-	-	-	54,577	-	16,500	17,500	15,000
13	Central and Western District	Private - building construction	November 2016	November 2017	6,784	-	-	-	-	-	6,784	-	3,575	3,209	-
14	Sham Shui Po District	Public - building construction	November 2016	June 2018	170,775	-	-	-	-	-	170,775	-	10,673	42,500	50,965
15	Eastern District	Private - building construction	December 2016	August 2018	69,238	-	-	-	-	-	69,238	-	7,377	18,500	18,889

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### Completed projects

During the Track Record Period, we completed the following projects:

No. <i>(Note 1)</i>	Location of project	Nature of project	Project duration <i>(Note 3)</i>	Initial contract sum HK\$'000	Accumulative turnover recognised during the Track Record Period <i>(Note 4)</i> HK\$'000	Overall gross profit margin %
1	Yuen Long District	Public – civil engineering	From June 2012 to November 2014	107,921	137,830	-0.8
2	Kwun Tong District	Private – building construction	From April 2013 to February 2015	21,239	22,366	3.5
3	Yau Tsim Mong District	Public – civil engineering	From October 2013 to September 2014	710	807	12.9
4	Sham Shui Po District	Private – building construction	From March 2012 to October 2014	16,763	519 <sup><i>(Note 4)</i></sup>	56.0
5	Tsuen Wan District	Private – building construction	From January 2013 to January 2016	30,024	30,446	10.8
6	Southern District	Public – building construction	From February 2013 to June 2015	4,330	10,285	18.8
7	Islands District	Private – building construction	From April 2015 to October 2015	1,762	1,762	63.2
8	Islands District	Private – building construction	From August 2015 to October 2015	764	758	0.2
9	Eastern District	Public – building construction	From December 2014 to October 2015	230	330	51.1
10	Tai Po District	Public – civil engineering	From October 2010 to February 2016	37,641	1,960 <sup><i>(Note 4)</i></sup>	5.5
11	Tuen Mun District	Public – civil engineering	From March 2015 to June 2015	813	1,205	23.7
12	Sha Tin District	Private – Building Construction	From November 2014 to April 2016	1,363	1,548	11.7
13	Yau Tsim Mong District	Private – building construction	From November 2013 to July 2016	151,576	159,020	2.1

Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed the following projects:

No. <i>(Note 1)</i>	Location of project	Nature of project	Project duration <i>(Note 3)</i>	Initial contract sum <i>HK\$'000</i>	Accumulative turnover recognised during the Track Record Period <i>(Note 4)</i> <i>HK\$'000</i>
1	Yan Tsim Mong District	Private – building construction	From September 2014 to August 2016	44,563	44,344
2	Islands District	Private – building construction	From November 2015 to September 2016	7,728	22,253

*Notes:*

- There may be more than one contract granted by the customer in the same main contract and same location that cover different scope or timing of works.
- Expected completion date represents our management's best estimate or the latest master construction programme available to us for the date of completion of our works.
- Project duration covers the duration of our works with reference to the commencement date and date of completion of our works set out in our record or letter of acceptance or in the payment certificate issued by our customer as well as our Directors' judgment as to the practicable commencement or completion of the project.
- The final accumulative turnover recognised during the Track Record Period normally deviates from the initial contract sum owing to (i) revenue may have been recognised before the Track Record Period; (ii) works done may need to be approved by our customer after the Track Record Period; or (iii) value of our work may increase or decrease after remeasurement of works, additions, modifications or deletions due to subsequent variation orders. For details of subsequent changes in value of contract work due to variation orders, please refer to the paragraph headed "Customers, sales and marketing – Principal terms of our contracts with customers" in this section below.
- The project was awarded in July 2016 but has not recognised any revenue during the Track Record Period.
- The initial contract sum of the project represents the tender price we submitted to the customer. Our construction work had started since September 2016 and we are in the process of finalising the contract with the customer.
- The outstanding contract sum as at 31 July 2016 of the project was smaller than the future revenue to be recognised due to the delay in receiving the customer's certification of amount of variation order which the revised contract sum is based on.
- This was a project with our another project at the same construction site which commenced in October 2011. The project started to generate revenue in the year ended 31 March 2015.

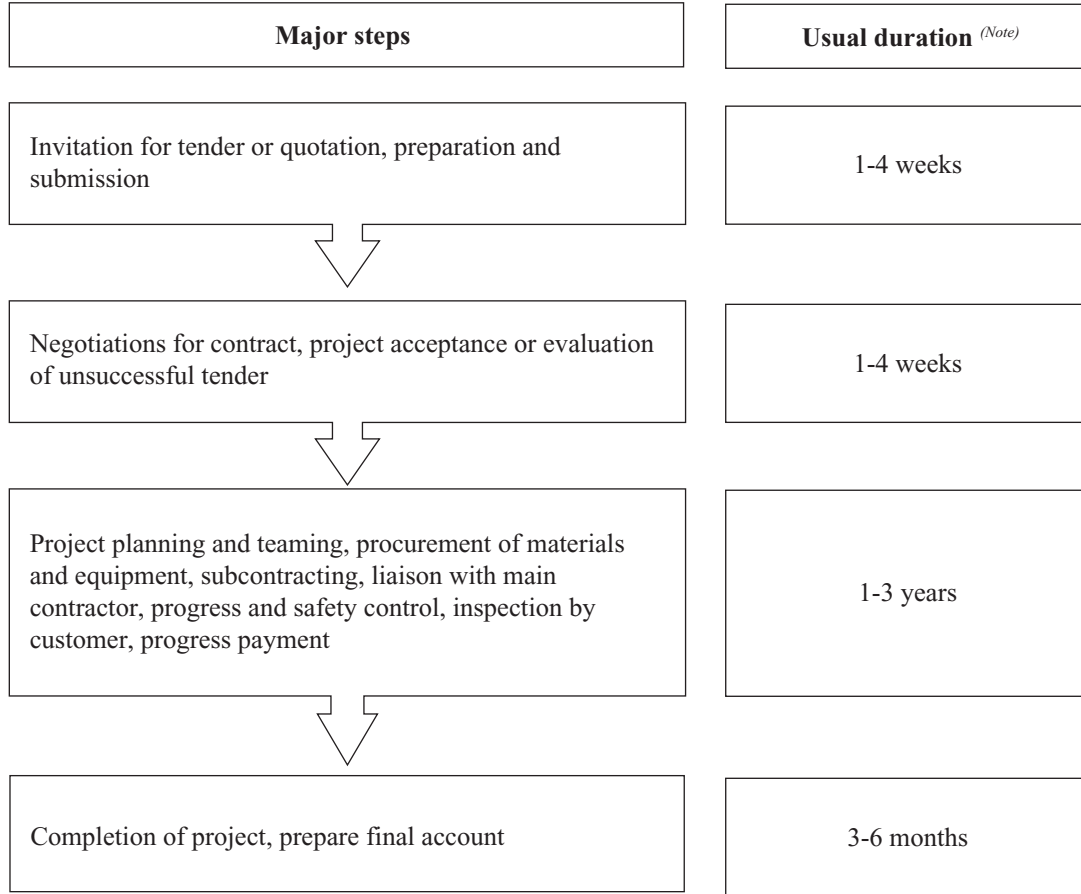
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## BUSINESS

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### OPERATION PROCESS

Set out below is the flow chart summarising the typical workflow of our construction projects:



*Note:* The time frame is illustrative only and actual time frame of a given project may vary significantly as it hinges on various factors, such as the complexity of the project, the master construction programme, our customer's preference, process of negotiation, etc.

#### **Invitation for tender or quotation, preparation and submission**

As a usual practice, we are invited by our customers, which are primarily main contractors of a civil engineering or building construction project, to submit a tender or provide a quotation for tendering for the formwork erection part of their project. Once approached by the main contractors, we normally set up a tender team which consists of our executive Directors, project directors, contract manager and quantity surveyors. The tender team will examine the provided documents and construction drawings, work programme, contract requirements and specifications, site constraints, anticipated difficulties such as complexity and scale of projects, and other necessary information to ascertain the feasibility and potential competition of the project. The tender team may also attend site visit to gain better understanding of the site condition and environment nearby. Other tender documents for submission normally comprise our quotations for walls, columns, slab, etc.

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### Pricing of our quotations and pricing strategy

Our pricing is usually determined based on area of formwork, on the unit of m<sup>2</sup> measured with reference to SMM. Our Directors confirm that this pricing mechanism conforms to general market practice. Having said that, our quotation of formwork services usually has taken into account a number of factors, such as (i) the estimated number and cost of workers required; (ii) the shape and size of reinforced concrete structure and the repetitiveness of similar concrete structure; (iii) cost of formwork and falsework materials; (iv) duration of the project; (v) our working relationship with the main contractor in the past; (vi) quality of concrete finish required; (vii) our capacity; (viii) other specific requirements in the contract; and (ix) potential competition of the project and prevailing market condition. Our Directors consider that it is of utmost importance to estimate our quotation accurately as amount of workers and formwork materials may not directly relate to area of formwork only. For example, formwork of taller concrete wall normally costs higher per area than shorter concrete wall due to the difference in cost to build the falsework and if necessary, a construction joint. In addition, most of our construction projects in the private sector are lump sum contracts or remeasurement contracts with fixed unit prices and rates, and no prices or rates adjustment such that subsequent unexpected adverse fluctuation in price of budget overrun may result in diminished project return or even a loss.

During the Track Record Period, due to revision of project budget costs from time to time as projects progress, an ongoing project may recognise a loss for a given financial year or reporting period even though it is profitable as a whole. During the Track Record Period, one of our projects completed, which was a public civil engineering project in Yuen Long District, recorded an overall gross loss of approximately HK\$1,269,000 as our Directors consider that complexity and duration of the project exceeded the original estimate. For details on our measures to control costs, please refer to the paragraph headed “Measures for cost control” in this section below.

### Tenders submitted during the Track Record Period

During the Track Record Period, all of our projects were obtained through the process of tendering and all of our revenue was derived from projects obtained through tendering. The following table sets out the number of project bids, number of successful projects bids and our tender success rate during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2014	2015	2016	2016
Number of tender invitations				
(Note)	147	177	210	87
Number of project bids	120	142	160	75
Number of successful project bids	4	4	4	1
Success rate (%)	3.3	2.8	2.5	1.3

Note: Only tenders with intended project sum exceeding HK\$10 million are included.



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We have been actively looking for large scale projects in order to effectively manage our resources and labour, and price our tenders with reference to our projects on hand and capacity. Although it appears that our tender success rate showed a decreasing trend, from 3.3% for the year ended 31 March 2014 to 2.5% for the year ended 31 March 2016 and to 1.3% for the four months ended 31 July 2016, the opportunities for us to submit quotations surged while our capacity has been engaged by our projects on hand. Nevertheless, it was our strategy to be respectful of our customers' tender invitations and submit tender to our customers in order to maintain business relationship and maintain our presence in the market. Under such circumstances, we normally factored in slightly higher profit margin to cover the cost for the needs of putting in additional resources, such as project management staff and subcontracting arrangements, which may decrease our tender attractiveness. Despite this, our Directors consider the increasing number of tender invitations over the Track Record Period is evidence of our solid presence in the formwork works industry and we continuously adjust our pricing strategy to maintain a stable and healthy project flow.

### **Project acceptance**

Upon receipt of our tender, our customer may by way of interview or issue enquiries to clarify with us the particulars of our tender. Generally once our customer decides to engage us, we will usually be informed of the project acceptance by a letter of award or letter of intent. We may then enter into a formal engagement agreement with the customer, who is the main contractor of the construction project.

### **Project execution and customer acceptance**

Once our engagement is confirmed, we commence the implementation of the project by: (i) forming a project team; (ii) planning and arranging the required labour, machinery, equipment to be delivered to the construction site; (iii) procuring and arranging with suppliers for the required materials for the project; and (iv) negotiating and finalising on the subcontracting arrangement if necessary.

### **Forming a project team**

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: project director, project manager, site agent, quantity surveyor, project engineer, foreman and safety supervisor. Our executive Directors will also closely monitor the progress of the project on a continuous basis and will ensure statutory, timetable and other special requirements are complied with. Our project team will oversee the project on site and report to our executive Directors on the project status and identify any problems that need to be resolved from time-to-time. Set out below are some general duties performed by the major roles of the project team:

#### ***Project director***

Our project director is assigned to be responsible for several projects with the assistance from our project managers. Our project director oversees the overall progress, monitors the actual expenses against our budget plan and reports directly to our executive Directors.

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### *Project manager*

Our project manager is responsible for the day-to-day execution and administration of the project, liaising with the main contractor, monitoring the work programme and quality, controlling workmanship, controlling and managing the work performance of subcontractors and suppliers designated for the project and handling complaints from customers or other external parties.

### *Site agent*

Our site agent is mainly responsible for the coordination with our subcontractors, arranging labour according to the work programme and reporting their progress or projects to our project manager.

### *Quantity surveyor*

Our quantity surveyor is responsible for assisting the preparation of tendering documents, performing cost estimation, assessing quantity of completed works, preparing interim payment submissions, approving value of work done of our subcontractors and payment to suppliers and quantitative information for claims and final accounts.

### *Project engineer*

Our project engineer is responsible for the design of formwork and falsework, including the preparation of construction sketches and related engineering calculations, preparing submissions to our customer and project consultant, resolving technical queries and other engineering issues.

### *Foreman*

Our foreman is responsible for assisting our site agent in supervising and coordinating operations on-site, inspecting and supervising the labour and subcontractors on site.

### *Safety supervisor*

Our safety supervisor is responsible for the safety of our Group's operations, enforcing safety measures with site's safety officer, preparing safety equipment and reporting safety incidents.

### **Planning and arranging machinery**

Our Directors confirm that our operation normally does not require the use of heavy machinery but we may need to liaise with the main contractor for the use of crane, tower crane or hoist for the lifting of our formwork and other materials from ground to underground or superstructure.

### **Purchasing of materials**

Timber products, metal formwork components and other metalware are our major materials purchased for our construction projects. Our project managers estimate the amount and timing required for these materials and keep them at the storage space allocated to us in the construction site. All materials purchased are consumed for single project only and the used timber or metal cannot be reused in other project and are either sold as scrap metal or disposed of. Thus, we do not retain construction materials as inventory.

For the metal scaffolds and related equipment used for the construction of falsework, we estimate the amount of scaffolds and related equipment and rent them from third parties on single project basis.

### **Subcontracting arrangement with third parties**

As formwork erection is very labour intensive, to alleviate the cost pressure for retaining workers, we may subcontract the formwork and scaffolding assembling part of our work to our subcontractors in Hong Kong. Our customers occasionally subcontract construction works other than formwork works, such as plastering and concreting to us, we generally subcontract these works to subcontractors who are specialised in these trades. For details of our subcontracting, please refer to the paragraph headed “Subcontracting arrangement” of this section.

### **Liaison with main contractor**

The construction of reinforced concrete structure involves a number of trades, for example, fixing of reinforcement, formwork erection and concreting, and often various subcontractors take turns to work on their part. We need to arrange labour and materials in accordance with the instructions of the main contractor and the master programme in order to complete our work within the deadline and hand over to other parties. In addition, the main contractor’s surveyor team usually assists us on the setting-out, i.e. the marking for the exact dimensions and position of the concrete structure for our workers to erect the formwork. The surveyor team should also check against the construction drawings to ensure the formwork has been erected on the planned position. We normally attend weekly progress meetings with the customers and the other subcontractors or working parties to report on the progress and coordinate the forthcoming tasks.

### **Progress and safety control**

Our project director usually provides progress report to our executive Directors from time to time. Such report includes project performance, plants and facilities on site, delays and causes, and safety and environmental matters. In addition, we would normally hold regular progress meetings with the main contractor throughout the project duration to report on our work done and learn the overall project status. The project team will keep monitor the progress of their respective works and they are all supervised by the main contractor and in some cases, the ultimate owner of the project or its project consultant.

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We adopt quality control procedure with a view to ensure that our project team could complete our works on time, avoid poor workmanship and minimise defects. Our project team peruses the project specifications carefully and maintains communication with the main contractor and representative of the ultimate customer so as to understand the acceptance standard before the works are to be inspected. Our project manager would inspect the falsework and formwork to ensure they comply with the falsework construction method statements and drawings since the pressure from freshly poured concrete may cause dislocation of formwork or even destroy the formwork. The important goal of our quality control is to ensure the falsework and formwork are structurally safe for labour to work on it and bearing all the design loads.

### **Measures for cost control**

We have established internal control procedures for minimising the possibility of cost overruns. Our financial controller is responsible to prepare monthly management accounts and budget revenue and costs for the next three months on a rolling basis, the monthly management accounts are compared against the original budget for analysing variance. If there is material variance identified and extraordinary cost items were noted, our financial controller will report to our executive Directors for taking appropriate actions to identify the root cause of the cost overrun, implement measures to reduce or eliminate the cost overrun and consider any work done which should be but had not been taken to customer for re-measurement or considered as variation order. If error is found in our budget cost estimation, our financial controller should amend the budget cost, assess the impact and report to our executive Directors. Our executive Directors, together with our financial controller, review the accuracy of the budget cost of each project and suggest way to improve the accuracy from time to time.

Our regular progress meetings will also draw our senior management's attention to any slow moving project and in such event our Directors may require our subcontractors and our direct labour to speed up. Our project management team pays close attention to weather forecast and promptly informs our labour not to report duty on site whenever there is adverse weather to eliminate idling labour cost.

Our Directors consider that the internal control measures enable our Group to watch closely the cost variance and deviation from budget can be identified promptly and thus believe that these measures are effective to minimise cost overrun.

### **Inspection by customer**

Our customer (the main contractor, sometimes including the ultimate owner and its engineering consultant) carries out inspection of our works done from time to time to confirm and certify completion. For Government projects, the falsework constructed by us may be required to be inspected by qualified independent checking engineers to certify that the falsework complies with the initial design and hence structurally safe for further use.

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### **Progress payment**

In general, our Group requires our customers to make progress payments to us on a monthly basis, whereby our Group submits regular payment application based on the activities performed in the previous month. The payment application has to be certified by our customer (who is the main contractor) to agree with our works done and/or materials ordered and the payment amount is measured with reference to the contract's bills of quantities. Our customers usually settle our bill, net of any agreed retention money, which is in general 2.5% to 10% of the bill, within approximately 45 days after our payment application is certified or approved.

We pay our subcontractors on either bi-weekly or monthly basis, based on our subcontractors' payment applications and our certification procedures, after deducting the retention money and the wages our Group paid on behalf of our subcontractors to their employees directly.

### **CUSTOMERS, SALES AND MARKETING**

For the three years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our turnover amounted to approximately HK\$318,287,000, HK\$287,660,000, HK\$481,943,000 and HK\$152,346,000, respectively.

Our direct customers are primarily the main contractors of various types of property development or civil engineering projects in Hong Kong, including main contractors engaged by private property developers, theme park and resort operators for the construction of resort facilities, or developers employed by the Government or public transport operators for civil engineering projects. Most of our customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars. During the Track Record Period and up to the Latest Practicable Date, 7 customers awarded more than one project to us.

For the three years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, the percentage of our Group's aggregate turnover attributable to our Group's largest customer was 44.3%, 53.7%, 40.8% and 27.1% for the corresponding periods, respectively, while the percentage of our Group's total turnover attributable to our five largest customers in aggregate was approximately 99.1%, 95.2%, 97.8% and 86.5%, respectively.

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Set out below is a breakdown of our revenue by our top five customers during the Track Record Period, together with the customers' background information:

*For the year ended 31 March 2014*

Rank	Customer	Background of customer	Approximate years of business relationship with our Group	Credit term	Revenue derived from customer for the year	
					HK\$'000	% of total revenue
1	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor which is an international engineering enterprise, which are all independent third parties	5	7 days after payment application	141,023	44.3%
2	Customer B	A joint venture construction contractor established by two construction contractors, one of which is a leading main contractor which has conducted construction business in Hong Kong since 1979 and the other is a Japanese corporation established in 1919, and are all independent third parties	4	Around 45 days after payment application	116,204	36.5%
3	Customer C	A construction contractor headquartered in Hong Kong established in 1977	4	Around 45 days after payment application	38,766	12.2%
4	New World Construction Company Limited	A construction contractor wholly-owned by NWS Holdings Limited (a company listed on the Main Board (stock code: 659)) which engages in infrastructure and services	3	21 days after payment application	15,334	4.8%
5	Customer D	A construction contractor wholly-owned by a company listed on the Main Board of the Stock Exchange which engages in construction and property development business	15	7 days after payment application	4,292	1.3%
Five largest customers combined					315,619	99.1%
All other customers					2,668	0.9%
Total revenue for the period					318,287	100%

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*For the year ended 31 March 2015*

Rank	Customer	Background of customer	Approximate years of business relationship with our Group	Credit term	Revenue derived from customer for the year	
					HK\$'000	% of total revenue
1	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor which is an international engineering enterprise, which are all independent third parties	5	7 days after payment application	154,380	53.7%
2	New World Construction Company Limited	A construction contractor wholly-owned by NWS Holdings Limited (a company listed on the Main Board (stock code: 659)) which engages in infrastructure and services	3	21 days after payment application	70,829	24.6%
3	Customer B	A joint venture construction contractor established by two construction contractors, one of which is a leading main contractor which has conducted construction business in Hong Kong since 1979 and the other is a Japanese corporation established in 1919, and are all independent third parties	4	Around 45 days after payment application	21,626	7.5%
4	Customer C	A construction contractor headquartered in Hong Kong established in 1977	4	Around 45 days after payment application	15,476	5.4%
5	Customer F	A construction contractor wholly-owned by a company listed on the Main Board of the Stock Exchange which engages in hospitality, entertainment and construction businesses	2	35 days after payment application	11,368	4.0%
Five largest customers combined					273,679	95.2%
All other customers					13,981	4.8%
Total revenue for the period					287,660	100%

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*For the year ended 31 March 2016*

Rank	Customer	Background of customer	Approximate years of business relationship with our Group	Credit term	Revenue derived from customer for the year	
					HK\$'000	% of total revenue
1	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor which is an international engineering enterprise, which are all independent third parties	5	7 days after payment application	196,397	40.8%
2	Customer F	A construction contractor wholly-owned by a company listed on the Main Board which engages in hospitality, entertainment and construction businesses	2	35 days after payment application	132,712	27.5%
3	New World Construction Company Limited	A construction contractor wholly-owned by NWS Holdings Limited (a company listed on the Main Board (stock code: 659)) which engages in infrastructure and services	3	21 days after payment application	98,789	20.5%
4	Customer G	A joint venture construction contractor established by Customer D and a Korean based global conglomerate which also engages as a construction contractor, which are all independent third parties	4	7 days after payment application	34,946	7.3%
5	Customer H	A leading construction contractor headquartered in Hong Kong and has projects throughout China and Southeast Asia	14	within 14 days after the customer received the sum from employer	8,425	1.7%
Five largest customers combined					471,269	97.8%
All other customers					10,674	2.2%
Total revenue for the period					481,943	100%



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*For the four months ended 31 July 2016*

Rank	Customer	Background of customer	Approximate years of business relationship with our Group	Credit term	Revenue derived from the customer for the period	
					HK\$'000	% of total revenue
1	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor which is an international engineering enterprise, which are all independent third parties	5	7 days after payment application	41,269	27.1%
2	Customer G	A joint venture construction contractor established by Customer D and a Korean based global conglomerate which also engages as a construction contractor, which are all independent third parties	4	7 days after payment application	25,701	16.9%
3	Customer H	A leading construction contractor headquartered in Hong Kong and has projects throughout China and Southeast Asia	14	within 14 days after the customer received the sum from employer	23,513	15.4%
4	Customer F	A construction contractor wholly-owned by a company listed on the Main Board which engages in hospitality, entertainment and construction businesses	2	35 days after payment application	22,814	15.0%
5	New World Construction Company Limited	A construction contractor wholly-owned by NWS Holdings Limited (a company listed on the Main Board (stock code: 659)) which engages in infrastructure and services	3	21 days after payment application	18,411	12.1%
Five largest customers combined					131,708	86.5%
All other customers					20,638	13.5%
Total revenue for the period					152,346	100%

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

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### **Revenue contribution has been concentrated by major customers**

For each of the year ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our revenue contribution has been concentrated by the top five customers, which in aggregate accounted for 99.1%, 95.2%, 97.8% and 86.5% of our total revenue for the same periods. Our Directors consider that the concentration of customers would not render our Company unsuitable for listing or our business model not sustainable after taking into account the following:

- (i) It is our priority to work with reputable and sizable main contractors, which in turn tend to undertake mega construction projects. We believe working with these main contractors, which have extensive past working experience and relatively better financial strength, would reduce our credit risk, cement future business opportunities with them and bolster our job reference. When we decide to undertake mega projects with large contract sum, we would dedicate sufficient resources into these projects and may not scatter our focus to compete for other less significant projects with overlapping of work programme;
- (ii) According to the Ipsos Report, investment in infrastructure, residential, commercial and industrial buildings have driven the demand for services from the construction industry, and we have experienced a strong demand for our services as evidenced by our growth of revenue and the number of tender invitations throughout the Track Record Period. For maintaining business relationship with our major customers, we prioritise our resources to cater to their demand of our services, which gave rise to the concentration situation. In the event that any of our major customers does not maintain a business relationship with us in the future, our Directors consider that we would have capacity to undertake other projects from other customers. Further, the number of invitations for tender showed an upward trend over the Track Record Period, growing from 147 for the year ended 31 March 2014 to 210 for the year ended 31 March 2016;
- (iii) As Hong Kong construction industry is still facing the challenge of labour shortage and ageing, our Directors believe that our customers may not have abundant supply of formwork subcontractors which are capable of handling scalable projects. Our Directors are further of the view that our strong technical skills, especially our ability to mobilise a large team of experienced workforce and provide traditional and system formwork, are attractive to leading main contractors;
- (iv) Our tender submission takes into account our current project pipeline and when we anticipate a project is coming to completion soon, we will adjust our tendering strategy to submit a more competitive tender for forth coming project, which can then capture our extra capacity to be released from the project to be completed; and

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- (v) We are capable of undertaking both civil engineering and building construction projects, which gives us ability to work with a larger range of customers which may have specialised in only one of these sectors and offers us extra resilience whenever one of these sectors becomes less favourable.

### **Principal terms of our contracts with customers**

Our customers engage us on a project-by-project basis instead of entering into a long-term agreement with us. Set out below are the principal common contractual terms with our major customers during the Track Record Period:

Contract sum	:	The initial sum for carrying out the scope of work.
Contract period	:	The expected project commencement date and completion date, together with the length of time of the project.
Type and scope of work	:	The type and scope of works we are required to provide.
Payment terms	:	The period for settlement of our work done or materials provided after we submit our payment application varies contract by contract. Depending on the terms and conditions of the contracts, the credit term is generally 7 to 56 days from the date of payment application to our customer.
Bills of quantities/ Schedule of rates	:	Description of the type of work and the specification of the works together with the quantity and the unit price.
Variation orders/ contingencies	:	Our customer may from time to time during the project period order us to make variations to our works and the variations are usually valued by (i) referencing to the rates and prices in the bills of quantities or schedule of rates in the contract; or (ii) separate quotation to be agreed upon.
Liquidated damages	:	The amount of liquidated damages payable by us per day if we fail to complete our works on the agreed time pursuant to the contract.
Retention monies	:	The contract generally provides for a sum to be held up by our customer at each interim payment. Typically, the amount of money to be held up is in the range of 2.5% to 10% of the certified amount but the total retention money can be withheld is subject to a ceiling, normally 2.5% to 5% of the total contract sum. The retention money is then to be released to us certain period, generally 12 to 24 months, after the project is completed.

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- Contra charge arrangement : We may request our customer to place orders for materials used for our work. However, our customer normally imposes a handling and administration charge of generally 5% of the costs, including the costs associated with the materials. The value will be deducted from the payments made by our customers to us.
- Surety/Performance bonds : It is a common requirement in the construction industry that a guarantee, by way of surety/performance bond, of an insurance company or bank is given by the contractor in favour of its customer for the due performance and observance of all the terms and conditions of the contract. If such a surety/performance bond is required by us, it is normally released upon completion of the project. The amount of surety bond, if any, varies contract by contract.
- During the Track Record Period, none of our contracts required us to take out surety/performance bonds after our Directors' efforts in negotiation.
- Default : Whenever there is default of contract by our part, for example, if we fail to execute the contract works or perform our obligations pursuant to the contract, our customer may determine the contract with us, order our staff and subcontractors to leave the site, take possession of our materials and equipment on site and claim us for damages.
- Defects liability period : In line with industry practice, our customers often specify a defects liability period of up to 24 months after completion of the project in the contract. However, due to the temporary nature of falsework and formwork, which are removed or dismantled after the structure is constructed, we are normally not held responsible for making good of any defects or imperfections during the defects liability period.
- Insurance : In general, it is the obligation of the main contractor of the construction project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed (including those employed by subcontractors) to work at the construction sites. Please refer to the paragraph headed "Insurance" in this section below for further details.

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- Safety : Penalty may be imposed on our Group if our staff or subcontractors are found not comply with the customer's safety policies.
- Termination : Generally, our customers are entitled to terminate our contract under certain circumstances, such as events of default, our failure to remove defective materials or make good defective works after being instructed by our customers.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not experience any early termination of contracts by our customers.

### **Credit policy and retention money**

Before deciding whether to submit a tender proposal, we normally take into account the customer's creditworthiness. Our major contracts with our customers specify the credit term, including the payment timing, retention to be withheld and the release of retention.

After entering into a formal contract and the construction project commences, our accounting and finance department together with our quantity surveyors will maintain a register of interim payment applications and will monitor whether all payment certificates have been duly issued by our customer and payments from the customer have been settled. Our quantity surveyors will further estimate our work done in the previous months and forecast the value of work to be certified by our customers for the forthcoming three months on a rolling basis. This will be compared by our accounting and finance department against the payment application and invoices issued in order to follow up with outstanding receivables. Our Directors will liaise with our customers for long overdue payment.

We will usually grant our customers a credit period ranging from 7 to 56 days from the date of progress certificates. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Normally, half of the retention money will be released upon completion of our works and half of the retention money will be released upon the agreement of the final account between our customers and us. As at 31 July 2016, our retention receivables amounted to approximately HK\$25,004,000. During the Track Record Period and up to the Latest Practicable Date, we had no disputes with our customers as regard to the collection of retention money which would have had a material impact on our business, financial condition or results of operations.

We do not make any general provision for doubtful debts. Our Directors determine specific provision for doubtful debts on a case-by-case basis. When determining such specific provision, our Directors consider length of business relationship with the customer, the reputation of the customer, its financial strength and history of repayment. We did not make any provision or allowance for doubtful debts for the three years ended 31 March

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2016 and the four months ended 31 July 2016. For details on our receivables turnover days, please refer to the section headed “Financial Information – Discussion of certain consolidated statements of financial position items” of this prospectus.

### **Sales and marketing**

During the Track Record Period, our business opportunities arose mainly from invitation for quotation or tender by customers, which are considered by our Directors to be attributable to our good reputation, quality of work, well-established presence in the construction industry in Hong Kong and good customer relationship.

Due to the above reasons, we currently do not maintain a sales and marketing team. Our executive Directors participate in the sales and marketing activities such as business conferences hosted by other industry players. We contact our customers to maintain a good relationship with them, to obtain market and industry information, and to seek business opportunities. We also rely on word-of-mouth by providing quality service in every of our projects to attract referral or for retaining our customers in future projects. In addition, from time to time, we participate in the sales and marketing activities and social events hosted by other industry players to keep abreast of the latest market developments and industry information.

We operate our website at *www.royal-deluxe.com* in which we can introduce and promote our Group and our services. Our Directors believe that our past performance will continue to support our reputation and hence our future business in the industry.

### **Seasonality**

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

### **Contra-charge arrangement with our customers**

It is common in the civil engineering construction industry that a main contractor may pay on behalf of its subcontractor for certain expenses for engineering project. Such expenses are typically deducted from its payments to that subcontractor in settling its service fees for the project. Such payment arrangement is referred to as the “contra-charge arrangement” and the amounts involved are referred to as the “contra-charge”.

During the Track Record Period, we had contra-charge arrangement with some of our customers which our Directors confirm were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. For the three years ended 31 March 2016 and the four months ended 31 July 2016, 5, 5, 6 and 9, of our projects were under contra-charge arrangement, respectively. Pursuant to the contra-charge arrangement set out in the contract with our customers, upon our request, our customer may purchase construction materials specified in the contract such as timber and steel and make payments on our behalf. Such purchase cost of construction materials is settled by way of contra-charge to the account with such customer. Our customers may also, upon our request,

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lease their site equipment to our Group or pay miscellaneous expenses on our behalf on an as-needed basis, where we settled such amounts with our customers through the contra-charge arrangement. Effectively, the payments due to us from our customer will be settled after netting off such contra-charge amounts. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our contra-charge incurred amounted to approximately HK\$38,858,000, HK\$20,390,000, HK\$27,914,000 and HK\$4,044,000 respectively, and such contra-charge incurred amounts attributable to our top five customers during the Track Record Period amounted to approximately HK\$38,113,000, HK\$19,640,000, HK\$24,656,000 and HK\$3,947,000, representing 98.1%, 96.3%, 88.3% and 97.6% of our total contra-charge incurred for the same periods, respectively. As we settled such costs by way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials were reduced by the same amount. Therefore, the contra-charge arrangement had no material effect on our Group's cashflow positions during the Track Record Period.

The following table sets forth the information on our customers from whom we had contra-charge arrangement during the Track Record Period:

	For the year ended 31 March						For the four months ended	
	2014		2015		2016		31 July 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Customer F</b>								
Revenue derived and approximate % of total revenue	-	-	11,368	4.0	132,712	27.5	22,814	15.0
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	-	-	-	-	1,349	1.3	2,107	6.8
Weighted average of gross profit margin <sup>(1)</sup>		-		15.2		27.5		41.7
<b>Customer C</b>								
Revenue derived and approximate % of total revenue	38,766	12.2	15,476	5.4	630	0.1	760	0.5
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	-	-	86	0.1	-	-	-	-
Weighted average of gross profit margin <sup>(1)</sup>		10.1		6.6		-29.1		14.0

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	For the year ended 31 March						For the four months ended	
	2014		2015		2016		31 July 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Customer G</b>								
Revenue derived and approximate % of total revenue	88	–	7,353	2.6	34,946	7.3	25,701	16.9
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	21	–	750	1.2	–	–	5	–
Weighted average of gross profit margin <sup>(1)</sup>	11.8		14.1		17.3		24.4	
<b>Customer A</b>								
Revenue derived and approximate % of total revenue	141,023	44.3	154,380	53.7	196,397	40.8	41,269	27.1
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	15,488	18.2	18,407	28.7	22,816	21.3	1,422	4.6
Weighted average of gross profit margin <sup>(1)</sup>	41.5		24.0		28.3		3.4	
<b>New World Construction Company Limited</b>								
Revenue derived and approximate % of total revenue	15,334	4.8	70,829	24.6	98,789	20.5	18,411	12.1
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	255	0.3	–	–	235	0.2	14	–
Weighted average of gross profit margin <sup>(1)</sup>	8.2		4.4		1.0		8.8	
<b>Customer B</b>								
Revenue derived and approximate % of total revenue	116,204	36.5	21,626	7.5	–	–	–	–
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	22,370	26.3	1,147	1.8	3,258	3.0	–	–
Weighted average of gross profit margin <sup>(1)</sup>	-1.4		50.0		N/A		–	



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	For the year ended 31 March						For the four months ended	
	2014		2015		2016		31 July 2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Customer H</b>								
Revenue derived and approximate % of total revenue	1,960	0.6	–	–	8,425	1.7	23,513	15.4
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	724	0.9	–	–	256	0.2	399	1.3
Weighted average of gross profit margin <sup>(1)</sup>		-0.9		–		23.3		31.4
<b>Customer D</b>								
Revenue derived and approximate % of total revenue	4,292	1.3	5,993	2.1	4,894	1.0	14,002	9.2
Contra-charge amounts and approximate % of total purchases incurred (excluding subcontracting charges incurred)	–	–	–	–	–	–	97	0.3
Weighted average of gross profit margin <sup>(1)</sup>		10.1		25.1		18.3		24.3

*Note:*

- (1) Weighted average of gross profit margin equals to the simple average of project gross profit margins weighted by project revenue, which is equivalent to the sum of project gross profits divided by the sum of project revenue.

Our Directors consider that the major customers which are also suppliers to our Group under contra-charge arrangements, namely New World Construction Company Limited, Customer A, Customer B, Customer D, Customer G and Customer H, are reputable main construction contractors in Hong Kong, are well established and creditworthy. The parent companies of these customers have more than 10 years of history in Hong Kong. Each of these major customers did not default in making payment due to us in any material respect.

As discussed in the section headed “Financial Information – Pricing of our projects” in this section below, we determine our pricing based on a cost-plus method, which in turn set our targeted profit margin. When our projects progress, there may be circumstances, whether in our control or not, which could lead to more favourable or less than expected actual profit margin. Our projects normally last for long period and sometimes across two or more financial years, and therefore for the same project of the same customer, project profit margin may vary from year to year. There are a number of circumstances under which project profit margin will vary, such as (i) when there is variation order, our Group will make amendments to our budget cost even though the amount of variations to be undertaken has not been formally confirmed, and in this case, no revenue was recognised for the variations until the value is certified by our customer in accordance with the applicable accounting standards if the amount of the variations had not been approved by the customer; (ii) a project may progress at different speed in different period due to different complexity, construction programme, site condition, weather condition, etc. and as such actual costs

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incurred can differ from the project budget cost; and (iii) timing of certifying the work done and agreeing the value of variation orders, which may be later than the time we amended the budget cost. Take Customer C in the table above as an example, the weighted average of gross profit margin decreased from 6.6% for the year ended 31 March 2015 to -29.1% for the year ended 31 March 2016. We had four and one projects with Customer C which we recognised revenue for the years ended 31 March 2015 and 2016, amounted to approximately HK\$15,476,000 and HK\$630,000, respectively. Budget cost for the remaining project in the year ended 31 March 2016 was revised taking into account the variation order and the actual costs incurred in the previous year, resulting in the actual costs in the year ended 31 March 2016 exceeding the revenue recognised by a relatively small amount, but as the revenue recognised for this project was also small (0.1% of our total revenue for the year), the calculated gross profit margin for this customer appeared in such a signification fluctuation. The projects with Customer C completed during the Track Record Period were in overall profitable. For Customer B in the table above, the weighted average of gross profit margin increased from -1.4% for the year ended 31 March 2014 to 50.0% for the year ended 31 March 2015. Our Group had one project with Customer B during the Track Record Period and the gross loss for the year ended 31 March 2014 was the combined impact of (i) the complexity and longer duration of the project exceeding the original estimate; and (ii) the fact that budget cost was revised upward to take into account the costs to be incurred for variation orders to be undertaken in the year ended 31 March 2015, which our Group had not been certified for such variations as the amount of the variations had not been agreed in the year ended 31 March 2014. The revenue for the variation orders was subsequently certified and, together with the direct costs associated with the variation orders, recognised in the year ended 31 March 2015 and hence our Group recorded gross profit for this project. The impact to gross profit margin appears to be exaggerated as revenue recognised from Customer B decreased to approximately HK\$21,626,000 for the year ended 31 March 2015 from HK\$116,204,000 for the year ended 31 March 2014. The project with Customer B was however recorded an overall gross loss. For Customer A, the weighted average gross profit margin was relatively higher than other customers because the projects are a railway terminus station construction in which we did not encounter significant difficulties or project delay and our Directors also consider the project management of the main contractor, i.e. Customer A, went well with our Group.

## SUPPLIERS

Our suppliers primarily supply the following materials to us: (i) timber products, including facing panels, timber beams; (ii) metal formwork including steel and aluminium formwork components; (iii) metal scaffoldings and related equipment; and (iv) metalware products, such as tie bolts, nut and hand-held tools. We generally order construction materials on a project-by-project basis and we did not enter into any long-term contract with our suppliers. The terms of our supply contracts include the type of materials, price, quantity and payment terms. We select suppliers mainly based on: (i) quality of materials; (ii) timeliness of delivery; (iii) previous experience and length of relationship with the supplier; (iv) competitiveness of the price offered; and (v) reputation of the supplier. Unless otherwise stated in our agreement with the customer, we usually provide construction materials for our projects. As we are provided with the standard requirements of the materials and we are liable for the quality of our project, and as subcontractor, we are able to choose our own suppliers for our projects.

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As at the Latest Practicable Date, there were approximately 89 suppliers on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, our Group did not experience any material difficulties or delays in performing our project works caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given (i) there are abundance of suppliers of our required materials in the market; and (ii) our close and long lasting business relationship with GT Material and GT Scaffolding, a supplier of construction materials and metal scaffolds and related equipment, respectively.

### Top five suppliers

Construction materials costs incurred for our largest supplier (excluding our subcontractors) accounted for 26.3%, 28.7%, 21.3% and 28.7% of our total construction materials costs for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. Construction materials costs incurred for our top five suppliers (excluding our subcontractors) accounted for 74.9%, 83.0%, 69.0% and 77.5% of our total construction materials costs for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively.

Set out below is a breakdown of our total purchases incurred (excluding subcontracting charges incurred) for our top five suppliers during the Track Record Period and their background information:

#### *For the year ended 31 March 2014*

Rank	Supplier	Background of supplier	Type of purchases/rental from the supplier	Years of business relationship with our Group	Credit term	Purchases by us from the supplier HK\$'000	%
1	Customer B	A joint venture construction contractor established by two construction contractors which are all independent third parties	Timber and scaffolding	4	N/A	22,370	26.3
2	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor, which are all independent third parties	Timber and scaffolding	5	N/A	15,488	18.2
3	Ho San	A limited liability company incorporated in Hong Kong	Metal formwork	5	30 days	11,652	13.7
4	GT Group	Limited liability companies incorporated in Hong Kong	Timber and rental of metal scaffolds	13	30 days	10,703	12.6
5	Supplier A	A limited liability company incorporated in Hong Kong	Timber	4	60 days	3,494	4.1
Top five suppliers combined						63,707	74.9
All other suppliers						21,249	25.1
Total purchases incurred (excluding subcontracting charges incurred)						84,956	100.0

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*For the year ended 31 March 2015*

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Years of business relationship with our Group	Credit term	Purchases by us from the supplier	
						HK\$'000	%
1	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor, which are all independent third parties	Timber and scaffolding	5	N/A	18,407	28.7
2	Ho San	A limited liability company incorporated in Hong Kong	Metal formwork	5	30 days	15,656	24.4
3	GT Group	Limited liability companies incorporated in Hong Kong	Timber and rental of metal scaffolds	13	30 days	10,982	17.1
4	Supplier B	A limited liability company incorporated in Hong Kong	Metalware and tools	6	60 days	4,497	7.0
5	Supplier A	A limited liability company incorporated in Hong Kong	Timber	4	60 days	3,725	5.8
Top five suppliers combined						53,267	83.0
All other suppliers						10,873	17.0
Total purchases incurred (excluding subcontracting charges incurred)						<u>64,140</u>	<u>100.0</u>

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*For the year ended 31 March 2016*

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Years of business relationship with our Group	Credit term	Purchases by us from the supplier	
						HK\$'000	%
1	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor, which are all independent third parties	Timber and scaffolding	5	N/A	22,816	21.3
2	Ho San	A limited liability company incorporated in Hong Kong	Metal formwork	5	30 days	20,249	18.9
3	GT Group	Limited liability companies incorporated in Hong Kong	Timber and rental of metal scaffolds	13	30 days	20,048	18.8
4	Supplier A	A limited liability company incorporated in Hong Kong	Timber	4	60 days	5,493	5.1
5	Supplier B	A limited liability company incorporated in Hong Kong	Metalware and tools	6	60 days	5,285	4.9
Top five suppliers combined						73,891	69.0
All other suppliers						32,992	31.0
Total purchases incurred (excluding subcontracting charges incurred)						<u>106,883</u>	<u>100.0</u>

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*For the four months ended 31 July 2016*

Rank	Supplier	Background of supplier	Type of purchases/ rental from the supplier	Years of business relationship with our Group	Credit term	Purchases by us from the supplier	
						HK\$'000	%
1	GT Group	Limited liability companies incorporated in Hong Kong	Timber and rental of metal scaffolds	13	30 days	8,894	28.7
2	Ho San	A limited liability company incorporated in Hong Kong	Metal formwork	5	30 days	6,316	20.4
3	Customer A	A joint venture construction contractor established by Customer D, Customer F and one other construction contractor, which are all independent third parties	Timber and scaffolding	5	N/A	3,770	12.2
4	Supplier B	A limited liability company incorporated in Hong Kong	Metalware and tools	6	60 days	2,924	9.4
5	Customer F	A construction contractor wholly-owned by a company listed on the Main Board of the Stock Exchange which engages in hospitality, entertainment and construction businesses	Screeding and rental of containers	1	N/A	2,107	6.8
Top five suppliers combined						24,011	77.5
All other suppliers						6,947	22.5
Total purchases incurred (excluding subcontracting charges incurred)						<u>30,958</u>	<u>100</u>

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### **Transactions with GT Material**

#### *Relationship with GT Material*

GT Material is wholly-owned by Ms. Ann Wang, who is the sister of Mr. Joseph Wang, our executive Director and Controlling Shareholder. Thus, GT Material is a connected person of our Company pursuant to Chapter 14A of the Listing Rules.

#### *Business relationship with GT Material*

Our business relationship with GT Material started in 2003. Since then, we have purchased timber and rented metal scaffolds and related equipment from GT Material. For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our purchases from GT Material amounted to approximately HK\$10,703,000, HK\$1,392,000, HK\$6,091,000 and HK\$4,648,000, respectively, representing 12.6%, 2.2%, 5.7% and 15.0% of our total purchases (excluding subcontracting charges incurred) for the period. Please refer to the section headed “Connected Transactions – Non-exempt continuing connected transactions – GTM Framework Agreement” for further details.

### **Transactions with GT Scaffolding**

#### *Relationship with GT Scaffolding*

GT Scaffolding is wholly-owned by Ms. Ann Wang, who is the sister of Mr. Joseph Wang, our executive Director and Controlling Shareholder. Thus, GT Scaffolding is a connected person of our Company pursuant to Chapter 14A of the Listing Rules.

#### *Business relationship with GT Scaffolding*

Our business relationship with GT Scaffolding started in 2014. Since then, we have rented metal scaffolds and related equipment from GT Scaffolding instead of GT Material. For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our rental payable to GT Scaffolding amounted to approximately nil, HK\$9,590,000, HK\$13,957,000 and HK\$4,246,000, respectively, representing nil, 15.0%, 13.1% and 13.7% of our total purchases (excluding subcontracting charges incurred) for the period. Please refer to the section headed “Connected Transactions – Non-exempt continuing connected transactions – GTM Framework Agreement” for further details.

### **Transaction with Ho San**

#### *Relationship with Ho San*

Ho San was owned as to 90% by Mr. Joseph Wang during the Track Record Period and up to 4 February 2016, when Mr. Joseph Wang sold his entire shareholding in Ho San to an independent third party. As far as Mr. Joseph Wang is aware, Ho San had no material or systemic non-compliance of rules and regulations during the Track Record Period and up to 4 February 2016. Save as disclosed above, as at the Latest Practicable Date, Ho San is an independent third party.

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### *Business relationship with Ho San*

Our business relationship with Ho San started in 2011. Since then, we purchased metal formwork materials from Ho San. For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our purchases from Ho San amounted to approximately HK\$11,652,000, HK\$15,656,000, HK\$20,249,000 and HK\$6,316,000, respectively, representing 13.7%, 24.4%, 18.9% and 20.4% of our total purchases (excluding subcontracting charges incurred) for the period. During the Track Record Period, Ho San has subcontracted some of its construction works to us, amounted to approximately HK\$2,229,000, nil, nil and nil, respectively. For the years ended 31 March 2014 and 2015, Ho San's revenue amounted to approximately HK\$84,590,000 and HK\$81,994,000 and its profit after tax amounted to approximately HK\$2,344,000 and HK\$3,733,000, respectively, according to the audited accounts of Ho San. For the period from 1 April 2015 to 4 February 2016, Ho San's revenue and profit for the period were approximately HK\$87,399,000 and HK\$4,962,000, respectively, according to the unaudited management accounts of Ho San. The purchases from Ho San constituted related party transactions of our Group. Our Directors confirm that the transactions conducted between our Group and Ho San during the Track Record Period were on an arm's length basis and on normal commercial terms. Please also refer to the section headed "Financial Information – Related party transactions and balances – Related party transactions" for further details.

Following the Listing, we intend to continue the purchases of construction materials and rental of metal scaffolds and related equipment from GT Material and GT Scaffolding, respectively. Since each of GT Material and GT Scaffolding is a connected person of our Company pursuant to Chapter 14A of the Listing Rules, the purchases and rental from GT Material and GT Scaffolding constitute non-exempt continuing connected transactions of our Company. Our Directors confirm that the transactions conducted between our Group and each of GT Material and GT Scaffolding during the Track Record Period were on an arm's length basis and on normal commercial terms. Please refer to the section headed "Connected Transactions" of this prospectus for details of these transactions and the application of waiver from compliance with Chapter 14A of the Listing Rules.

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

### **SUBCONTRACTING ARRANGEMENTS**

It is a common industry practice for subcontractors to further subcontract part of their works to sub-subcontractors. Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customer's contract requirements, we usually subcontract the most labour intensive part of our works, which are mainly formwork and metal scaffold assembling to other subcontractors in a project. For facilitating our customer's administrative convenience, we are occasionally invited to tender for projects with other trades (such as plastering and concreting) on top of formwork works. If we are awarded such projects, we also subcontract these works to specialised subcontractors.



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Our subcontractors include local individuals, sole proprietors as well as limited liability companies. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of their subcontracting fees were denominated in HK\$.

We are accountable to our customers for the works performed in a construction project, including the works performed by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractors for a project and do not restrict which subcontractors to be engaged by us.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, subcontracting charges incurred by our Group amounted to approximately HK\$39,540,000, HK\$38,698,000, HK\$57,932,000 and HK\$17,230,000, respectively. Please refer to the section headed “Financial Information – Selected line items in the consolidated statements of profit or loss and other comprehensive income – Direct costs” in this prospectus for the relevant sensitivity analysis.

### Major subcontractors

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our Group’s subcontracting charges incurred by the largest subcontractor represented 32.9%, 41.6%, 9.6% and 13.0% of our Group’s total subcontracting charges for the period, respectively, while subcontracting charges incurred by our Group’s top five subcontractors represented 61.0%, 56.8%, 30.5% and 55.6% of our Group’s total subcontracting charges for the period, respectively.

Set out below is the breakdown of our Group’s total subcontracting charges incurred to our top five subcontractors and their background information:

#### *For the year ended 31 March 2014*

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Years of business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Right Choice	A limited liability company incorporated in Hong Kong	General labour	4	7 days	12,997	32.9
2	Subcontractor B	A limited liability company incorporated in Hong Kong	Concreting	4	7 days	7,014	17.7
3	Subcontractor C	A limited liability company incorporated in Hong Kong	Timber formwork	3	7 days	2,020	5.1
4	Subcontractor D	An individual	Concreting	6	7 days	1,152	2.9
5	Subcontractor E	An individual	Timber formwork	3	7 days	936	2.4
Top five subcontractors combined						24,119	61.0%
All other subcontractors						15,421	39.0%
Total subcontracting charges incurred						<u>39,540</u>	<u>100.0</u>

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### *For the year ended 31 March 2015*

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Years of business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Right Choice	A limited liability company incorporated in Hong Kong	General labour	4	7 days	16,101	41.6
2	Subcontractor E	An individual	Timber formwork	3	7 days	2,219	5.7
3	Subcontractor D	An individual	Concreting	6	7 days	2,159	5.6
4	Subcontractor F	An individual	Timber formwork	4	7 days	849	2.2
5	Subcontractor G	A limited liability company incorporated in Hong Kong	Timber formwork	2	7 days	673	1.7
Top five subcontractors combined						22,001	56.8
All other subcontractors						16,697	43.2
Total subcontracting charges incurred						<u>38,698</u>	<u>100.0</u>

### *For the year ended 31 March 2016*

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Years of business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Right Choice	A limited liability company incorporated in Hong Kong	General labour	4	7 days	5,578	9.6
2	Subcontractor H	A limited liability company incorporated in Hong Kong	Metal formwork	1	7 days	4,418	7.6
3	Subcontractor D	An individual	Concreting	6	7 days	2,774	4.8
4	Subcontractor I	An individual	Timber formwork	1	7 days	2,513	4.3
5	Subcontractor J	A limited liability company incorporated in Hong Kong	Metal formwork	1	7 days	2,450	4.2
Top five subcontractors combined						17,733	30.5
All other subcontractors						40,199	69.5
Total subcontracting charges incurred						<u>57,932</u>	<u>100.0</u>

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*For the four months ended 31 July 2016*

Rank	Subcontractor	Background of subcontractor	Type of services provided by the subcontractor	Years of business relationship with our Group	Credit term	Subcontracting charges incurred	
						HK\$'000	%
1	Subcontractor J	A limited liability company incorporated in Hong Kong	Metal formwork	1	7 days	2,235	13.0
2	Subcontractor K	A sole proprietor	Plastering	1	14 days	2,182	12.7
3	Subcontractor E	An individual	Timber formwork	3	7 days	2,123	12.3
4	Subcontractor L	A limited liability company incorporated in Hong Kong	Timber formwork	1	14 days	2,122	12.3
5	Subcontractor F	An individual	Timber formwork	4	7 days	915	5.3
Top five subcontractors combined						9,577	55.6
All other subcontractors						7,653	44.4
Total subcontracting charges incurred						<u>17,230</u>	<u>100</u>

### **Subcontracting arrangement with Right Choice**

#### *Relationship with Right Choice*

Right Choice was owned as to 51% by Mr. Joseph Wang, our executive Director and Controlling Shareholder, and 49% by two independent individuals immediately before its dissolution. Right Choice was deregistered on 13 January 2017.

#### **Business Relationship with Right Choice**

Mr. Joseph Wang set up Right Choice as a joint venture with the other two individuals, having considered their ability in mobilising workers, with an aim to weathering the labour shortage and ageing issue in the construction industry. During the Track Record Period, Right Choice was a subcontractor of primarily system formwork assembling works. Subcontracting fee charged by Right Choice to our Group amounted to approximately HK\$12,997,000, HK\$16,101,000, HK\$5,578,000 and nil for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. Right Choice was deregistered on 13 January 2017. Our Directors confirm that the transactions conducted between our Group and Right Choice during the Track Record Period were on an arm's length basis and on normal commercial terms.

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

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### **Basis of selecting subcontractors**

We maintain an internal list of approved subcontractors which we will review and update on a periodical basis. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. We will review and update our internal list of subcontractors according to our assessment of their performance on a continuous basis.

### **Key terms of subcontracting engagement**

As our customers engage us on a project-by-project basis, we do not enter into any long-term contract with our subcontractors. We enter into written agreement (generally with a term of engagement mirroring with the terms of the contract with our customer) with our subcontractors governing the general terms of subcontracting arrangement. The following summarise the common key terms of engagement with our subcontractors:

Scope of works and specification	:	The scope and specifications of the works as we subcontract to the subcontractor.
Subcontracting fee	:	The subcontracting fee normally comprises a unit price and rate for each item of work.
Payment terms	:	We normally pay the wages of the labours of the subcontractor directly, and if the value of works applied by the subcontractor and approved by us exceeds the wages of the period, the excess is paid to the subcontractor, payment is settled twice a month.
Defects liability period and retention money	:	Defects liability period and retention money apply in line with our contract with our customer.
Indemnity	:	Our subcontractor shall indemnify our Group from claims arising from labour disputes.

### **Control over subcontractors**

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

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

### INVENTORY

Our Group does not maintain inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

### MACHINERY

Our Directors confirm that the extent which we rely on machinery and equipment in performing our work is not material. We own a number of vehicles to facilitate our management and staff to travel between sites, and as at 31 July 2016, the net book value of these vehicles amounted to approximately HK\$3,535,000.

### AWARDS AND ACCREDITATION

We have received a number of awards or certificates during our operating history in recognition of our commitment and dedication in safety management and environmental compliance. The table below set out our major awards or certificates obtained by our Group during the Track Record Period and up to the Latest Practicable Date:

<b>Date</b>	<b>Awards/Certificates</b>	<b>Issued or granted by</b>
September 2013	High Performance in Health and Safety for the Month of September 2013	Customer A
February 2014	Site Safety Excellent Results Award – Best Safety Performance	Customer D
March 2015	Outstanding Safety Performance Award – Monthly Best Sub-Contractor Supervisor	Customer G
May 2015	21 <sup>st</sup> Considerate Contractors Site Award-Gold & 2014 MTR Grand Safety Award	Customer G
May 2015	Outstanding HSEQ Performance Award – Zero Accident Award	Customer G
May 2016	Model Subcontractor Award – Gold Award	Development Bureau and Construction Industry Council

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### **QUALITY ASSURANCE**

We have in-house quality assurance requirements for performing falsework and formwork erection, the assembling of metal scaffolds responsibilities of personnel of different levels, quality inspection procedures and standards, material storage, housekeeping, subcontracting procedures and accident reporting. Compliance of these quality assurance requirements is mandatory for our staff, workers and subcontractors.

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

Quality of our services is controlled by our project management team, which has to ensure works done by our staff and our subcontractors comply with requirements of the contract and our standard. Our project management team has frequent communication with our workers and subcontractors on the construction programme, the contract specifications, project progress, technical issues and deployment of workers. Our project management team inspects most of the work stream to identify and rectify defects, checks whether the progress is in line with the construction programme and arranges additional resources to expedite if necessary and ensures the works comply with all relevant regulatory requirements. Since we are held responsible for the works performed by our subcontractors, we emphasise heavily on the disciplines of our subcontractors and require them to follow strictly to our project management team's instructions and customers' requirements.

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

We generally purchase construction materials from our suppliers who have good business relationship with us and have a satisfactory past record of delivering materials with up to standard quality. When the construction materials are delivered on site, we have standard procedure for inspection, including the examination of the source of material and any certificates, assignment of designated personnel for the receipt of materials, careful storage of materials against the impact of adverse weather and regular counting of remaining materials on site.

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

### OCCUPATIONAL HEALTH AND SAFETY

#### Occupational health and work safety measures

We place strong emphasis on occupational health and work safety during the delivery of our services not only to uphold our value on corporate social responsibility and maintain our reputation, but also not to put our employees, subcontractors, the other parties in the construction site as well as the general public in situation that threatens their health and safety. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations. Due to the inherent nature of works in construction sites which very often involves working at height and usage of mechanical equipment and machinery, construction workers are constantly subjected to risks of accidents or injuries. To mitigate such risks, we have established safety plans and in-house rules to provide our employees and our subcontractors' employees with a safe and healthy working environment by specifying various safety measures. The provisions include the following:

- All members of our project management team, our direct labour and our subcontractors' labour are required to wear required safety equipment, including safety helmet, which must also meet the safety standard, for entering construction site;
- All labour must present valid Green Card for our safety officer registration and record;
- The performance of all equipment, devices and tools must be checked for safety before use and their number must not exceed safety limit;
- All subcontractors must report safety incidents to our safety officer;
- Our staff and our subcontractors' workers entering project sites are required to observe the occupational health and safety measures and our policy. Subcontractors must ensure their workers work safely and care for others;
- We reserve the right to expel worker who violates our safety policy from construction site; and
- We have formal written notice for the arrangement during adverse weather, typhoon, fire and other emergency situation.

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

If an accident occurs, the injured worker (including our employees and our subcontractor's employees) or the person who witnessed the accident is required to report to our site staff or safety officer. Our safety officer will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved and take statements from the injured worker, witness of the accident and other relevant personnel. If the accident is a "reportable accident", which is a workplace accident that is required to be reported to the Labour Department as assessed by our safety officer, our

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safety officer will prepare an accident report and submit it to our project manager for review and then submit it to the main contractor of the project and the Labour Department within the period as specified under the relevant laws and regulations. For any accident that results in total or partial incapacity of an employee, the accident should be reported to the Labour Department in writing within 14 days after the date of the accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident.

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

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

	<b>Construction industry in Hong Kong (Note 1)</b>	<b>Our Group (Note 2)</b>	<b>Comparables average (Note 3)</b>
	<b>From 1 January to 31 December 2013</b>	<b>For the year ended 31 March 2014</b>	<b>From 1 January to 31 December 2013</b>
Industrial accident rate per 1,000 workers in construction industry	40.8	17.6	27.7
Industrial fatality rate per 1,000 workers in construction industry	0.277	–	–
	<b>From 1 January to 31 December 2014</b>	<b>For the year ended 31 March 2015</b>	<b>From 1 January to 31 December 2014</b>
Industrial accident rate per 1,000 workers in construction industry	41.9	38.3	18.8
Industrial fatality rate per 1,000 workers in construction industry	0.242	–	–
	<b>From 1 January to 31 December 2015</b>	<b>For the year ended 31 March 2016</b>	<b>From 1 January to 31 December 2015</b>
Industrial accident rate per 1,000 workers in construction industry	39.1	40.9	18.0
Industrial fatality rate per 1,000 workers in construction industry	0.200	–	–



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*Notes:*

1. The statistics are obtained from the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) published by the Occupational Safety and Health Branch of the Labour Department, which is the latest issue as at the Latest Practicable Date.
2. Our Group's accident rate is calculated as the number of reportable accidents during the financial year (i.e. 7, 12 and 26 for the three years ended 31 March 2016, respectively) divided by the average number of thousand direct labour employed by our Group (including our subcontractors) during the financial year.
3. Our Directors have identified that two companies, namely Yuk Sing Engineering Holdings Limited and Five Dragons Holdings Limited, have been applying for a listing on the Stock Exchange as at the Latest Practicable Date, both are engaged in the formwork works industry and published the relevant accident rates and fatality rates in their application proofs. The comparables average represents the average of the published accident rates and fatality rates of the two abovementioned companies for the respective period.

Over the three year period from 1 April 2013 to 31 March 2016, the accident rate of our Group showed an upward trend, from 17.6 for the year ended 31 March 2014 to 38.3 for the year ended 31 March 2015, and further to 40.9 for the year ended 31 March 2016, to a level similar to the industrial accident rate. Our Directors consider that the main reason for the increase of accident rate is our Group was involved in a number of railway construction projects below ground level, which inherently had more adverse site environment and condition than private projects in which the comparable companies mainly engage. Our Directors also believe that the climate change in recent years, such as the number of very hot days and rainfall records recorded by Hong Kong Observatory, is partly to blame.

During the Track Record Period and up to the Latest Practicable Date, there had been 85 employees' compensation claims submitted to the labour Department against our Group, and 19 outstanding civil litigations against our Group in relation to accidents which occurred during the Track Record Period, further details of which are disclosed in the paragraphs headed "Litigation and potential claims – (a) Past and outstanding employees' compensation claims against our Group during the Track Record Period and up to the Latest Practicable Date" and "Litigation and potential claims – (b) Civil litigations against our Group as at the Latest Practicable Date", respectively, in this section below.

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

For the year ended 31 March 2014	20.6
For the year ended 31 March 2015	14.6
For the year ended 31 March 2016	18.1
For the four months ended 31 July 2016	5.9

*Notes:*

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the number of working hours of each worker is 10 hours per day. The number of working days for the three financial years ended 31 March 2016 and the four months ended 31 July 2016 was approximately 298 days, 296 days, 293 days and 99 days, respectively.
2. Employees of our Group and our subcontractors are included in the LTIFRs shown above.

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The following table sets out the nature and type of the more common and material industrial accidents which occurred during the Track Record Period or may occur in construction site and the corresponding safety measures and requirements to prevent the occurrence of similar accidents:

<b>Nature and type of industrial accidents</b>	<b>Safety measures and requirements undertaken</b>
Contusion, laceration and/or fracture injury caused in connection with lifting and disposing of materials and walking on uneven road surface or uncovered floor hole	The workers are required to strictly follow our Group's general safety rules. We always seek to minimise the needs for our workers to handle and lift heavy materials where possible. In circumstances where manual handling of heavy materials is inevitable, our Group will provide the bucket for carrying all the materials require the workers to follow the direction of the banksman. Training to workers in relation to the correct handling techniques will also be conducted in accordance with the relevant rules and regulations. Further, toe-boards must be installed in working platform at height 2m or above.
Contusion, bruise, sprain and/or fracture injury caused in connection with falling from height	Workers are required to strictly follow our Group's relevant safety rules whilst working at height. For works to be conducted within lift shafts and at a height of 2 m or above, the relevant working platforms or structures shall be inspected by competent person before commencement of work and regularly during the course of execution of the work. Depending on the height of works, each worker is strictly required to wear safety harness.

Our Directors believe that as most workers work on site to earn their living, economic sanction is the most appropriate and effective method to deter dangerous act, especially if such sanction is imposed strictly. Our site management staff strictly enforce the safety measure above by issuing warnings to the workers of our Group and our subcontractors who do not comply with our safety rules and repeated offenders will be ordered to leave the construction site immediately. For construction sites which have been assessed and found to have adverse site environment and were of higher safety risk such as underground railway construction projects, our site management staff will increase the use of air blowers to improve ventilation, set up water drinking machines, distribute reflective vests to all workers entering the sites and remind all staff to always be aware of their health condition and take rest if they feel uncomfortable. We have increased our number of safety supervisors to ten as at the Latest Practicable Date and encouraged our staff to register as safety officer. As at the Latest Practicable Date, two of our staff have completed a recognised safety officer course.

The increased number of safety staff in our Group also helps to enforce safety rules on site and strengthen safety awareness. Our Group regularly engages external safety consultants to carry out safety audit for our Group and our construction sites. In July 2016, a safety audit was conducted by a registered safety auditor for our Group, our safety management system was considered to be in compliance with the requirements and our general site safety conditions were found to be maintained at a satisfactory level with reasonable efforts found in all the elements assessed.

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### ENVIRONMENTAL PROTECTION

Our Group's operations on sites are subject to certain environmental protection requirements in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance, Public Health and Municipal Services Ordinance and Dumping at Sea Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" of this prospectus.

We are committed to minimising the adverse impact to the environment caused by our business operations. In order to comply with the applicable environmental protection laws and regulations, we have established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. For the three years ended 31 March 2016 and the four months ended 31 July 2016, we incurred immaterial amount in environmental compliance. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that was incurred during the Track Record Period and consistent with its scale of operation.

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

### INSURANCE

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers are, subject to section 40(1B) of the Employees' Compensation Ordinance, required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees. We have obtained insurance coverage in accordance with such requirement.

Pursuant to section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As a subcontractor, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by our Group or the main contractor.

Our Directors have confirmed that during the Track Record Period, all our construction projects were covered and protected by the employees' compensation insurance and contractor's all-risks insurance taken out by the main contractor for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site and the works performed

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by them in the relevant construction site and the amount of the policy taken out were not less than HK\$200 million per event. During the Track Record Period, our Group maintained insurance coverage against (i) liability for third-party bodily injury occurring in our office premises; and (ii) third-party liability in relation to the use of our vehicles. In addition, our Group has maintained insurance policy for an amount not less than HK\$100 million per event for our direct employees, save for our casual workers who are covered by insurance policy maintained by main contractors, to cover our liability under the Employees' Compensation Ordinance.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost-justifiable to insure against such risks.

Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the three years ended 31 March 2016 and the four months ended 31 July 2016, our insurance expenses amounted to approximately HK\$123,000, HK\$193,000, HK\$187,000 and HK\$1,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

### MARKET AND COMPETITION

According to the Ipsos Report, due to increasing demand for residential as well as commercial buildings, coupled with the Government's initiatives to increase housing supply in Hong Kong, the gross output value of building construction works industry in Hong Kong increased from HK\$54.1 billion in 2011 to HK\$106.4 billion in 2015, at a CAGR of 18.4%. With increasing demand for housing units and according to the 2016 Policy Address, the Government has taken initiatives to increase housing supply in recent years and will continue to increase land usage for commercial and economic activity. The Government's initiative to increase residential as well as commercial buildings will fuel the building construction industry growth, which in turn will drive formwork works industry in Hong Kong.

As of 20 June 2016, according to Construction Industry Council, there are 747 subcontractors on the list of registered subcontractors under formworks category. The Ipsos Report concludes that the formwork works industry is relatively fragmented in Hong Kong. Nevertheless, our Group managed to have a market share of about 9.8% in the formwork works industry for the year ended 31 March 2016, according to the Ipsos Report. The Ipsos Report also states that reputation and proven industry experience track record have been the major entry barriers to this industry, while labour shortage and ageing workforce threaten the development of the formwork works industry in Hong Kong. For further details on the formwork works industry in Hong Kong, please refer to the section headed "Industry Overview" of this prospectus.

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Our Directors consider that our long-established history together with our good business relationship with our labour and subcontractors help us overcome the threats posed to the industry and we are well-positioned to increase our market share and capture future growth opportunities in the market.

### PROPERTY INTERESTS

#### Leased properties

As at the Latest Practicable Date, our Group does not own any property. The following table summarises the information regarding our leased properties during the Track Record Period and up to the Latest Practicable Date:

Address	Monthly rental expenses	Use of the property	Duration
17th Floor 26 Celestial Heights 80 Sheung Shing Street	HK\$45,000.00	Director's quarter	From 15 June 2014 to 14 June 2015
Ho Man Tin Kowloon Hong Kong	HK\$60,000.00		From 15 June 2015 to 14 June 2017 (Note)
Unit 306, 3rd Floor Sunbeam Centre 27 Shing Yip Street Kwun Tong Kowloon Hong Kong	HK\$28,560.00	Warehouse and back office	From 1 January 2016 to 31 December 2017
Office A, 26th Floor, Legend Tower No. 7 Shing Yip Street Kowloon	HK\$69,100.00	Office	From 18 February 2016 to 17 February 2018

*Note:* The lease of this property had been terminated and discontinued with effect from 14 July 2016.

### INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group has registered three trademarks and one series of trademark in Hong Kong, which are intended to be used by our Group to promote our corporate image. Our Group has also registered a domain name.

As at the Latest Practicable Date, our Group has registered nine short-term patents in Hong Kong and nine patents in the PRC. Our Group has also applied for the registration of a patent in six regions, namely India, Macau, Malaysia, Saudi Arabia, Singapore and the United Arab Emirates.

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Please refer to the headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this prospectus for further details of our intellectual properties.

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

### LICENSES, PERMITS AND REGISTRATION

During the Track Record Period, we acted as subcontractor to our customers in all projects undertaken. To the best knowledge, information and belief of our Directors having made all reasonable enquiry, all projects undertaken by our Group during the Track Record Period had one or more than one contractor registered with the Buildings Department or the Development Bureau or any other authorities (as the case may be). On this basis, our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with relevant authorities during the Track Record Period.

Our Group is registered as a registered subcontractor under the Subcontractor Registration Scheme. The following table summarises the details of such registration held by our Group members as at the Latest Practicable Date:

Type of registration	Issuing authority	Grantee	Trade(s)	Specialties	Date of expiry
Registered subcontractor	Construction Industry Council	Ming Tai Construction	Concreting formwork, reinforcement bar fixing, concreting, concrete precast component, scaffolding, structural steelwork, general civil works, finishing wet trades, tanking and waterproofing, painting and metal work	Concreting formwork, reinforcement bar fixing, concreting, erection, metal scaffolding, structural steelwork, road drainage and sewer, finishing wet trades, tanking and waterproofing, painting and metal work	1 June 2018
Registered subcontractor	Construction Industry Council	Ming Tai CE	Concreting formwork and scaffolding	Timber formwork, large panel formwork, metal/system formwork and metal scaffolding	6 June 2017

Our Directors also confirm that our Group had obtained (and renewed, as the case may be) all necessary licenses, permits, consents and approvals for our business operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, such as registration under the Subcontractor Registration Scheme, and that all such licenses, permits, consents and approvals are valid as at the Latest Practicable Date. Under Subcontractors Registration Scheme, the application of renewal should be submitted within three months before expiry of the current registration by providing information and supporting documents

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to show continued compliance with the entry requirements. Our Directors confirm that our Group had not experienced any material difficulties in obtaining and/or renewing such licenses, permits, consents and approvals. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licenses, permits, consents and approvals.

### RESEARCH AND DEVELOPMENT

We are dedicated to staying in the forefront of construction innovation. Our executive Directors attend various seminars related to the construction industry and keep abreast of the latest construction methodology and technology. Our executive Directors and senior management team will generate concepts relating to formwork works improvement and our in-house engineers will also consider whether such concepts can conform to engineering principles. Once we conclude that a know-how has been developed, we will arrange patent registration. For each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our cost incurred in patent registration amounted to approximately nil, nil, HK\$106,200 and nil, respectively. Such expenses are recognised as expenses immediately.

### EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at the Latest Practicable Date, we had 91 full-time employees who were directly employed by our Group. It was expected that four additional staff members will be hired up for procurement, safety, IT and engineering up to the year ending 31 March 2017. A breakdown of our employees by function as at the Latest Practicable Date is set out below:

	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 July 2016	As at the Latest Practicable Date
Management	4	4	6	6	6
Accounting and finance	12	13	11	9	11
Office administration	5	6	5	9	8
Site administration	3	3	3	3	4
Procurement	3	3	5	5	6
Commercial (contract and quantity survey)	12	12	16	15	17
Safety	5	5	6	7	8
Engineering	2	2	4	4	7
Operation	19	16	28	29	24
<b>Total</b>	<b>65</b>	<b>64</b>	<b>84</b>	<b>87</b>	<b>91</b>

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We generally recruit our staff through recruitment websites and recognised construction manpower training scheme. We also hire skilled workers from our staff referrals. We believe that the relationship and co-operation between our management and employees have been good and we expect that such relationship and co-operation will stay amicable going forward. There has not been any incident of strike or labour shortage or material labour dispute during the Track Record Period, which adversely affected our operations.

Our employees are invaluable assets of our Group and we are dedicated to managing human capital. Remuneration package we offer to our staff includes basic salary, discretionary bonuses and allowance. We review the performance of our employees on a periodical basis in order to design salary adjustment and promotions and keep our remuneration package competitive.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance with all the applicable employment laws, rules and regulations in Hong Kong.

### LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group has been involved in a number of claims and litigations. Set out below is a summary of the past and outstanding claims and litigations against our Group during the Track Record Period and as at the Latest Practicable Date arising in the ordinary and usual course of our business.

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

During the Track Record Period and up to the Latest Practicable Date, there had been 84 employees' compensation claims submitted to the Labour Department against our Group, 33 of which were fully settled while the remaining 51 outstanding claims are still ongoing. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

Out of the 33 settled employees' compensation claims, 32 were fully covered by the relevant insurance taken out by our Group or the main contractor. The remaining one settled employees' compensation claim was not covered by the relevant insurance due to the delay in reporting the incident to the relevant insurer and the total amount of employees' compensation made by our Group to the injured employee was HK\$517,966.03. For all of the remaining 51 outstanding claims that are still ongoing, they are all covered by the relevant insurance. We have improved internal control procedures such that all incidents filings must be copied to the financial controller of our Group, who is responsible to make claims to the insurers and check with our staff for any unreported incident regularly in order to ensure the reporting to insurer is in a timely order.

As at the Latest Practicable Date, the aggregate payment amount made by our Group in relation to the 51 outstanding employees' compensation claims under the Employees' Compensation Ordinance that are still ongoing amounted to approximately HK\$7,000,000.



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The number of accidents in relation to the employees' compensation claims submitted to the Labour Department against our Group for each of the three years ended 31 March 2016, the four months ended 31 July 2016 and up to the Latest Practicable Date is set out below:

For the year ended 31 March 2014	For the year ended 31 March 2015	For the year ended 31 March 2016	For the four months ended 31 July 2016	From 1 August 2016 to the Latest Practicable Date
18	11	31	11	13

The tables below sets out the nature of accidents (by cause of accident and type of injury) leading to the 84 employee's compensation claims submitted to the Labour Department:

Cause of accident	Number of accidents
Contact with moving machinery or object being machined	5
Fall of person from height	6
Injured whilst lifting or carrying	15
Slip, trip of fall on same level	13
Striking against fixed or stationary object	6
Striking against moving object	7
Struck by moving or falling object	8
Trapped by collapsing or overturning object	1
Trapped in or between objects	3
Others	17
Unknown	3
	<hr/>
Total	<u><u>84</u></u>

Type of injury	Number of accidents
Abrasion	2
Concussion and Fracture	1
Contusion and Bruise	17
Crushing	2
Dislocation	1
Fracture	26
Laceration and Cut	9
Sprain and Strain	12
Minor injuries ( <i>note</i> )	12
Others	2
	<hr/>
Total	<u><u>84</u></u>

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*Note:* Minor injuries refer to injuries resulting in an employees' incapacity for a period not exceeding 3 days.

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

As at the Latest Practicable Date, there were 19 outstanding civil litigations against our Group, relating to which our Group had received the relevant summons and legal proceedings had been commenced. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

	Nature of claim	Date of incident	Status
1.	An employee suffered an injury to his left eye when using an electrical concrete breaker to break the concrete of the ceiling at the construction site whilst standing on a steel formwork structure in the course of work. Some objects fell from the ceiling and hit the injured individual's left eye. The injured individual has made a claim under the Employees' Compensation Ordinance.	28 April 2011	The insurer has taken over conduct of the proceedings
2.	An employee suffered an injury to his left middle finger when lifting timber to erect formwork in the course of work. The timber fell onto the injured individual's left middle finger. The injured individual has made a claim under the Employees' Compensation Ordinance.	20 May 2013	The insurer has taken over conduct of the proceedings
3.	An employee suffered an injury to his left eye when using an electrical concrete breaker to break the concrete of the ceiling at the construction site whilst standing on a metal stool formwork in the course of work. Some objects fell from the ceiling and hit the injured individual's left eye. The injured individual has made a personal injury claim under common law.	28 April 2011	The insurer has taken over conduct of the proceedings
4.	An employee suffered an injury to his right ring finger in the course of work. The injured individual has made a claim under the Employees' Compensation Ordinance.	30 July 2012	The insurer has taken over conduct of the proceedings
5.	An employee suffered an injury to his left foot when collecting a metal bar from the ground on the construction site in the course of work whilst some workers were demolishing a metal working platform above ground level. A metal bar fell from the said platform and struck against the injured individual's left foot. The injured individual has made a claim under the Employees' Compensation Ordinance.	14 January 2014	The insurer has taken over conduct of the proceedings
6.	An employee suffered an injury to his left ring finger when hammering hooks onto a metal scaffold structure in the course of work. The injured individual missed his strike while hammering and struck his left ring finger. The injured individual has made a claim under the Employees' Compensation Ordinance.	19 December 2013	The insurer has taken over conduct of the proceedings

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Nature of claim	Date of incident	Status
7. An employee suffered an injury to his right ring finger when cleaning up remaining pieces of concrete after using an electric concrete-breaker in the course of work. The concrete-breaker fell on the injured individual's right hand. The injured individual has made a claim under the Employees' Compensation Ordinance.	13 December 2014	The insurer has taken over conduct of the proceedings
8. An employee suffered an injury to his right thumb whilst removing formwork with a Y-bar in the course of work. The injured individual lost his balance and the Y-bar pressed his right thumb against a window nearby. The injured individual has made a claim under the Employees' Compensation Ordinance.	14 September 2015	The insurer has taken over conduct of the proceedings
9. An employee suffered back abrasion when building metal scaffold structure. The injured individual has made a claim under the Employees' Compensation Ordinance.	26 July 2015	The insurer has taken over the conduct of the proceedings
10. An employee suffered back fracture when falling from a 2.3 metres high aluminium deck in the course of work. The injured individual has made a personal injury claim under common law.	8 January 2014	The insurer has taken over the conduct of the proceedings
11. An employee slipped and fell from the third step of a scaffold when walking to his working area. The injured individual's wrist was hit by a ledger and suffered hand fracture. The injured individual has made a claim under the Employees' Compensation Ordinance.	19 August 2015	The insurer has taken over the conduct of the proceedings
12. An employee suffered an injury to his left thumb whilst hammering in the course of work. The injured individual missed his strike while hammering and struck his left thumb. The injured individual has made a claim under the Employees' Compensation Ordinance.	10 November 2015	The insurer has taken over the conduct of the proceedings
13. An employee suffered bruise on his right thumb whilst removing aluminum framework. The injured individual has made a personal injury claim under common law.	14 September 2015	The insurer has taken over the conduct of the proceedings
14. An employee suffered back injury while lifting aluminium framework. The injured individual has made a claim under the Employees' Compensation Ordinance.	9 September 2015	The insurer has taken over the conduct of the proceedings
15. An employee suffered a back abrasion when building metal scaffold structure. The injured individual has made a personal injury claim under common law.	26 July 2015	The insurer has taken over the conduct of the proceedings
16. An employee suffered injury on right ring finger whilst installing waling on a wall. The injured individual has made a personal injury claim under common law.	13 November 2013	The insurer has taken over the conduct of the proceedings

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## BUSINESS

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Nature of claim	Date of incident	Status
17. An employee suffered injury on his left middle finger whilst he was dismantling a working platform with another worker. The worker dropped a metal from the top level of the working platform and hit his left middle finger. The injured individual has made a claim under the Employees' Compensation Ordinance.	19 May 2015	The insurer has taken over the conduct of the proceedings
18. An employee slipped and suffered injury on his left ankle. The injured individual has made a claim under the Employees' Compensation Ordinance.	13 May 2016	The insurer has taken over the conduct of the proceedings
19. An employee suffered knee bruises during the course of work. The injured individual has made a personal injury claim under common law.	9 July 2013	The insurer has taken over the conduct of the proceedings

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

To the best knowledge of our Directors, all injured persons under these employees' compensation claims and personal injury claims have suffered insignificant bodily injuries. During the Track Record Period and up to the Latest Practicable Date, our Group or our main contractors are required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong for an amount of no less than HK\$200 million per accident. Therefore, all such employees' compensation claims and personal injury claims are expected to be fully covered by the insurance policies either maintained by our Group or our main contractors. For details, please refer to the section headed "Business – Insurance" of this prospectus.

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

### **No provision for litigation claims**

Having considered, among other things, (i) the nature and the degree of injuries of the incidents; and (ii) the coverage of our main contractors' insurance policy(ies), our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

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### **Indemnity given by our Controlling Shareholders**

Our Controlling Shareholders have entered into a Deed of Indemnity on 17 January 2017 whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus for details.

### **LEGAL AND REGULATORY COMPLIANCE**

Our Directors have confirmed that, save as disclosed in the subsection “Litigation and potential claims” above, we had no material non-compliance of applicable laws and regulations in Hong Kong that would affect our Group’s operation and financial position during the Track Record Period and up to the Latest Practicable Date.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

#### **Operational risks**

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

##### *Labour shortage risk*

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

Our Group has early planning in the formwork design stage and recommends system formwork where possible since the assembling of system formwork demands less on workmanship as compared to timber formwork and hence less costly and experienced workers, which in turn is expected to be more in supply.

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### *Project delay risk*

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

### *Health and safety risk*

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

### **Credit risks**

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

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

### **Market risks**

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Delays in project commencement, particularly projects in the public sector due to political filibustering for approving new funding and objections or legal actions by the affected members of the public, may affect our project portfolio and original plans of purchase of construction materials or deployment of labour. Our Directors closely monitor works forecast by the Government, the number of new projects to be

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## BUSINESS

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undertaken by the Development Bureau, tender results of commercial or residential sites so as to adjust our business strategies and assess our participation in the public or private sectors. It is our Directors' responsibility to identify and assess the prevailing economic condition and market risks and adopt different policies from time to time to mitigate market risks.

### **Risk management**

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

Our Board oversees and manages the overall risks associated with our operations. Moreover, our audit committee will review and supervise our financial reporting process and internal control system. The audit committee consists of three members, namely Mr. Kwong Ping Man, who serves as the chairman of the committee, Mr. Lai Ah Ming Leon and Mr. Lam Wai Ho. For the qualifications and experience of these risk management team members namely our executive Directors and our financial controller, Mr. Chan Wing Seng and committee members, please refer to section headed "Directors, Senior Management and Employees" in this prospectus.

### **Our internal control system**

We endeavor to maintain sound and effective internal control system to safeguard Shareholders' value and our assets. In preparing for the Listing and efforts to improve our internal control system, in February 2016, we engaged Antonio & Clayton CPA Limited (the "**IC Consultant**"), an independent internal control adviser and a corporate practice registered with the Hong Kong Institute of Certified Public Accountants, to perform evaluation under the Committee of Sponsoring Organizations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system, including the areas of financial, operation, corporate governance, compliance and risk management. The IC Consultant has been engaged by a few listing applicants of the Stock Exchange to perform similar internal control review. The IC Consultant performed an internal control review in May 2016. Upon completion of such review, the IC Consultant identified certain findings in relation to our internal control policies and procedures and we have fully implemented all the recommended measures suggested by the IC Consultant. The IC Consultant has also performed a follow-up review in July 2016 to understand the status of our implementation of the recommended measures. The IC Consultant has formed its view that we have satisfactorily implemented all the recommended measures based on its follow-up review.

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### **Corporate governance**

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

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



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the exercise of any options that may be granted under the Share Option Scheme), Wang K M will own more than 30% of our Company's issued share capital, which is in turn wholly-owned by Mr. Joseph Wang. For the purpose of the Listing Rules, Mr. Joseph Wang and Wang K M (an investment holding company wholly-owned by Mr. Joseph Wang) are the Controlling Shareholders.

Mr. Joseph Wang is our Chairman, Chief Executive Officer and one of our executive Directors. For details of the background of Mr. Joseph Wang, please refer to the information set out in the section headed "Directors, Senior Management and Employees" in this prospectus.

### EXCLUDED BUSINESS

Mr. Joseph Wang, our Chairman, Chief Executive Officer, an executive Director and a Controlling Shareholder, is interested in Right Choice, which is not included in our Group as part of the Reorganisation.

Right Choice was incorporated in Hong Kong on 2 September 2011 with limited liability and it is owned as to 51%, 24.5% and 24.5% by Mr. Joseph Wang and two independent third parties, respectively. Its principal business is provision of construction engineering services. According to its audited financial statements, Right Choice recorded net profits of approximately HK\$1,080,000, HK\$609,000 and HK\$131,000 for the years ended 31 March 2014, 2015 and the ten months ended 31 January 2016 (the date of cessation of business), respectively.

Our Directors consider that it will not be in the best interest of our Group to include Mr. Joseph Wang's interest in Right Choice in our Group for the following reasons:

- (i) the cooperation with the other two shareholders of Right Choice was satisfactory;
- (ii) Mr. Joseph Wang decided to dedicate most of his time to our Group's business, Right Choice is therefore being deregistered and our Group gradually subcontracted some works to an independent third party, a company set up by the two shareholders abovementioned.

As far as Mr. Joseph Wang is aware, there were no material disputes between Right Choice, our Group and their respective ultimate shareholders during the Track Record Period and up to 13 January 2017. Right Choice was deregistered on 13 January 2017.

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE OF OUR GROUP

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

**(i) Financial independence**

Our Group has an independent financial system and makes financial decisions according to the business needs. As at 31 July 2016, the amount due from director is approximately HK\$84,650,000 and the sum will be settled before the Listing. In addition, all of the personal guarantees executed by Mr. Joseph Wang and his close associates in favour of our Group will be released before Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

**(ii) Operational independence**

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

*Operational facility*

As at the Latest Practicable Date, we leased and will, after Listing, continue to lease certain property from a close associate of Mr. Joseph Wang, our Controlling Shareholder and therefore our connected person, details of which are set out in the section headed “Connected Transactions – Fully exempt continuing connected transaction – Tenancy agreement” in this prospectus. As we have been leasing such property from such connected person since 2009, we currently do not, and in a foreseeable future will not, have any plan to relocate to alternative property, which we believe is in the interests of our Company and the Shareholders as a whole in terms of cost, time and operational stability. Meanwhile, we believe that in the event that such connected person ceases to lease the property to us, we would be able to find suitable alternatives from lessors who are independent third parties without undue delay or inconvenience incurred to the operation of our business. Accordingly, our Directors are of the view that such tenancy arrangement does not, and will not, have any material adverse impact on our operational independence from the Controlling Shareholders and his/its close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *Continuing connection transactions with the GT Group*

We are expected to enter into certain continuing connected transactions in relation to the (i) purchase of timber materials; and (ii) rental of metal scaffold and the necessary supporting equipment and provision of technical support and transport services from the GT Group. Such products and services are provided by GT Group on a non-exclusive basis and may be offered by independent third parties on similar terms. Therefore, our Directors are of the view that such continuing connected transactions will not affect our operational independence from GT Group. For details, please refer to the section headed “Connected Transactions – Non-exempt continuing connected transactions” of this prospectus.

Based on the above, our Directors are satisfied that we had been operating independently of our Controlling Shareholders and his/its close associates during the Track Record Period and up to the Latest Practicable Date and will continue to maintain such operational independence upon completion of the Share offer.

### **(iii) Management independence**

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

Our Board comprises two executive Directors and three independent non-executive Directors. Mr. Joseph Wang and Mr. Wang Yu Hin are our executive Directors. Mr. Wang Yu Hin is the son of Mr. Joseph Wang. Mr. Joseph Wang is the only director of Wang K M, a Controlling Shareholder. Save for Mr. Joseph Wang, no other Directors nor members of senior management of our Group hold any directorship or position in Wang K M.

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### RULE 8.10 OF THE LISTING RULES

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

### LOCK-UP UNDERTAKINGS

Our Controlling Shareholders, namely Mr. Joseph Wang and Wang K M, have entered into a deed of lock-up undertaking with our Company (for itself and for the benefit of each of its subsidiary) on 17 January 2017. Pursuant to the deed of lock-up undertaking, each of the Controlling Shareholders has undertaken to the Company that it or he shall not at any time during the 24-month period following the Listing Date (the first 12 months of which is required under Rule 10.07 of the Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

The Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 10.07 of the Listing Rules, demonstrates their long-term commitment to our Group and confidence in its future development.

### NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Joseph Wang and Wang K M (each a "Covenantor" and collectively the "Covenantors") have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

### CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their close associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates has/have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent half of the composition of our Board and they are professionals in different industries. We believe that the presence of our independent non-executive Directors provides a balance of view and independent judgment in the decision making process of our Board and that they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees – Independent non-executive Directors” in this prospectus; and
- (vi) we have appointed Frontpage Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

The following transactions have been carried out by our Group and connected persons of the Company during the Track Record Period and are expected to continue following the Listing and will constitute continuing connected transactions for the Company under the Listing Rules.

### CONNECTED PERSONS

First Land is a company owned as to 50%, 25% and 25% by Ms. Ann Wang, who is the sister of Mr. Joseph Wang, Mr. Joseph Wang and an independent third party, respectively. First Land is therefore a connected person of our Company under the Listing Rules. First Land is an investment property holding company.

GT Scaffolding and GT Material are both companies wholly-owned by Ms. Ann Wang, the sister of Mr. Joseph Wang, and are therefore each a connected person of our Company under the Listing Rules. The principal business activities of GT Material and GT Scaffolding are trading of construction materials and letting of scaffolding materials, respectively.

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

#### **Tenancy Agreement**

On 1 January 2016, Ming Tai Construction entered into a written tenancy agreement (the “**Tenancy Agreement**”) with First Land pursuant to which First Land agreed to lease and Ming Tai Construction agreed to rent a property at Unit 306, 3rd Floor, Sunbeam Centre, 27 Shing Yip Street in Kwun Tong owned by First Land (the “**Rented Property**”) for warehouse and back office usage for a term of two years from 1 January 2016 to 31 December 2017 at a monthly rental fee of HK\$28,560.

#### *Reasons for and benefits of the transaction*

Since 2009, our Group has been leasing the abovementioned property for use. The premise is well established and we have no present plan for a relocation. The premise is also situated at the vicinity of our headquarters and principal place of business in Hong Kong.

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, the aggregate amount of rents paid by our Group to First Land in relation to the Rented Property amounted to HK\$300,000, HK\$300,000, HK\$311,000 and HK\$114,000. The maximum annual amount of rental fee payable to First Land by our Group under the Tenancy Agreement for the years ending 31 March 2017 and 31 March 2018 is HK\$342,720 and HK\$257,040, respectively.

#### *Pricing policy*

The monthly rental payable under the Tenancy Agreement was determined after arm’s length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar properties in the same locality. Asset Appraisal Limited, an independent

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## CONNECTED TRANSACTIONS

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property valuer, has reviewed the rental payable under the Tenancy Agreement and has issued a rental appraised report. Asset Appraisal Limited considers that the rental of the Tenancy Agreement is fair and reasonable and reflects the prevailing market rates.

As such, our Directors (including our independent non-executive Directors) and the Sponsor consider that the Tenancy Agreement had been and will be entered into on arm's length basis and believe that it is in the best interest of our Company and the Shareholder as a whole.

### *Listing Rules implications*

As it is expected that the highest relevant percentage ratio (other than the profits ratio) in respect of the rental fee paid by our Group to First Land under the Tenancy Agreement will be, on an annual basis, less than 5% and the total consideration will be less than HK\$3,000,000 in aggregate according to the Tenancy Agreement, and is on normal commercial terms, the transactions under the Tenancy Agreement will be exempted from shareholders' approval, annual review and all disclosure requirements under the Listing Rules by virtue of Rule 14A.76(1)(c) of the Listing Rules.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transactions will constitute non-exempt continuing connected transaction for our Company under Chapter 14A of the Listing Rules. Our Group has adopted a connected transaction policy to govern our connected transactions and to reduce reliance on our connected persons in the supply of materials from GT Scaffolding and GT Material. In such policy, before we enter into any transaction under the GTS Framework Agreement and GTM Framework Agreement, we will obtain at least 3 quotations from independent third parties and whenever quotations from independent third parties equal to or are better than the quotation from GT Scaffolding or GT Material, we shall procure from independent third parties instead. We would actively look for independent suppliers which are able to provide materials or products provided by the GT Group and negotiate with independent suppliers so as to seek quotations lower than that offered by the GT Group with the aim to reduce reliance from the GT Group and at the same time safeguard the best interest of our Group. In addition, our Group targets to increase the number of independent suppliers, which have not supplied to our Group during the Track Record Period, by two within one year after the Listing.

### **1. GTS Framework Agreement**

#### *Background*

Prior to Listing, our Group rented metal scaffolds and supporting equipment from GT Scaffolding. GT Scaffolding is principally engaged in the supply and rental of metal scaffolds and supporting equipment. Our Group expects that similar rental arrangements will be adopted upon Listing.



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## CONNECTED TRANSACTIONS

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### *Principal terms*

We expect to enter into the GTS Framework Agreement with GT Scaffolding prior to the Listing for a term ending on 31 March 2019, pursuant to which GT Scaffolding agreed to provide metal scaffold rental services, together with the necessary supporting equipment, technical support and transport services from time to time to our Group as we request.

### **Reasons for the transactions**

Metal scaffolds are commonly used in our falsework design for the erection of formwork. Besides erection of formwork, metal scaffolds are usually assembled for other construction activities at height. By renting the metal scaffolds and the related equipment from GT Scaffolding, our Group does not need to maintain a large volume of inventory, which is costly to acquire and store. We determine the number of metal scaffolds needed for each project, place scaffolds order for each project and return them when our project does not require them. We have been renting these equipment from GT Scaffolding since 2014 and from GT Material before GT Scaffolding's establishment in 2013. Taking into account that our Group has established a long-term relationship with GT Group, and we have enjoyed better bulk purchase discount from GT Scaffolding (which GT Scaffolding offered to us and its other customers is determined in each order on an arm's length basis and in the Track Record Period, bulk purchase discounts offered to us range from 30% to 70% of the standard price, depending on the size and duration of the order and the prevailing demand) than that from independent third parties (which range from 10% to 50% of the standard price), our Directors consider that it is in the interest of our Group to continue the business relationship with GT Scaffolding upon Listing. For the years ended 31 March 2014, 2015 and 2016 and four months ended 31 July 2016, the estimated gross amounts saved by our Group from the bulk purchase discounts from GT Group amounted to approximately HK\$754,000, HK\$8,514,000, HK\$13,385,000 and HK\$7,736,000, respectively.

### **Pricing policy**

The price payable for the services under GTS Framework Agreement by our Group to GT Scaffolding shall be determined after arm's length negotiation. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, we will obtain quotations from similar scaffolding providers, who are independent third parties, not less frequently than on a quarterly basis/for each project. For each project which will require the use of metal scaffolds, we will estimate the required volume of metal scaffolds such that when seeking quotations from independent suppliers, a comparable bulk purchase discount, if any, could be taken into consideration for arriving at the best net rental price.

Although GT Group offered in general better bulk purchase discount than the independent suppliers, bulk purchase discount is a common feature in the metal scaffolds rental industry and is negotiated on an arm's length basis, and therefore our Directors (including the independent non-executive Directors) consider that the terms of the GTS Framework Agreement are on normal commercial terms or better (as defined in Chapter 14A

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## CONNECTED TRANSACTIONS

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of the Listing Rules) and are entered into in the ordinary and usual course of business of our Group, which are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

### **Annual caps**

For the years ending 31 March 2017, 2018 and 2019, the estimated fees to be payable to GT Scaffolding for its products and services (including transportation and plant hiring charge) are estimated to be HK\$13,000,000, HK\$14,000,000 and HK\$15,000,000, respectively.

### **Basis of the annual caps**

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, the aggregate fees payable by our Group to GT Scaffolding for its products and services amounted to approximately nil, HK\$9,590,000, HK\$13,957,000 and HK\$4,246,000, respectively.

The annual caps are mainly determined with reference to (i) historical transaction amount between our Group and GT Scaffolding; (ii) our on-going projects and their expected needs; and (iii) the expected growth of the construction industry in Hong Kong and our business which will require metal scaffolding. For the year ending 31 March 2017, the proposed annual cap is determined by annualising the actual transaction amount between our Group and GT Scaffolding for the four months ended 31 July 2016 and rounding to the nearest million Hong Kong dollars. For the years ending 31 March 2018 and 2019, the proposed annual caps are arrived at by considering the CAGR of 6.5% of the forecast growth rate for the estimated revenue of the formwork works industry from 2016 to 2020 in the Ipsos Report and rounding up to the nearest million Hong Kong dollars. It is our Group's intention to reduce reliance from GT Scaffolding whenever it is economically viable and in the best interest of our Company and the Shareholders as a whole and priority will be given to the purchase from independent third parties.

### **Listing Rules implications**

Since one of the applicable percentage ratios (other than the profits ratio) for the GTS Framework Agreement is expected to be more than 5% on an annual basis, the transactions contemplated under the GTS Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### 2. GTM Framework Agreement

#### *Background*

Prior to Listing, our Group purchased timber materials from GT Material. We also rented metal scaffolds and related equipment from GT Material prior to us establishing our business relationship with GT Scaffolding. Our Group expects that purchase of timber from GT Material will continue upon Listing. However, we expect to rent scaffolds and related equipment from GT Scaffolding as opposed to GT Material upon Listing. GT Material is principally engaged in trading of construction materials.

#### *Principal terms*

We expect to enter into the GTM Framework Agreement with GT Material prior to the Listing for a term ending on 31 March 2019, pursuant to which GT Material agreed to provide timber materials to our Group from time to time as we request.

#### **Reasons for the transactions**

We have established good and long standing relationship with GT Material and have purchased timber materials from GT Material since 2003. Timber materials we purchase from GT Material are used to build our timber formwork and the timber purchased from GT Material in the past could be tailor-made to our specification, satisfied our quality requirement and was delivered in accordance with our specified time without major delay. While we also purchase timber materials from other suppliers, our Directors are of the view that it will be in the interest of our Group to continue such transaction with GT Material to diversify our source of construction materials and obtain our required construction materials stably.

#### **Pricing policy**

The price payable for the timber materials under GTM Framework Agreement by our Group to GT Material shall be determined after arm's length negotiation. In order to ensure that the prices are fair and reasonable and in line with prevailing market rate, we will obtain quotations from providers which provide similar timber products and are independent third parties not less frequently than on a quarterly basis/for each project.

Our Directors consider that the terms of the GTM Framework Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of our Group, which are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

#### **Annual caps**

For the years ending 31 March 2017, 2018 and 2019, the estimated fees to be payable to GT Material for its products and services (including transportation and plant hiring charge) are estimated to be HK\$8,000,000, HK\$8,000,000 and HK\$8,000,000, respectively.

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## CONNECTED TRANSACTIONS

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### **Basis of the annual caps**

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, the aggregate prices payable by our Group to GT Material for its products and services amounted to approximately HK\$10,703,000, HK\$1,392,000, HK\$6,091,000 and HK\$4,648,000, respectively. We have purchased timber material from GT Material, which amounted to approximately nil, HK\$35,000, HK\$4,941,000 and HK\$4,429,000 for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively.

The annual caps are mainly determined with reference to (i) historical amount of timber purchase from GT Material; (ii) our estimated project needs for timber formwork; and (iii) the expected growth of the construction industry in Hong Kong and our business. In determining the annual caps, our Directors also considered the number of civil engineering projects which our Group may undertake, which generally involve less repetitive concrete structures and hence more usage of timber formwork. Given that the future project mix is unpredictable and that the consumption of timber materials can be highly uncertain, our Directors consider that the proposed annual caps for each of the three years ending 31 March 2019 should appropriately allow a 30% fluctuation (rounded to the nearest million HK\$) on the aggregate fees payable to GT Material for the year ended 31 March 2016. Despite the proposed annual caps, it is the intention of our Group to reduce reliance from GT Material whenever it is economically viable and in the best interest of our Company and the Shareholders as a whole and priority will be given to the purchase from independent third parties.

For the year ended 31 March 2014, the transaction amount with GT Material was significantly larger than that for 2015 and 2016 mainly because we used to rent metal scaffolds and related equipment from GT Material but started to obtain the same services from GT Scaffolding since early 2014.

### **Listing Rules implications**

Since one of the applicable percentage ratios (other than the profits ratio) for the GTM Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the GTM Framework Agreement are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **WAIVERS**

As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that strict compliance with the announcement and, for GTS Framework Agreement, independent shareholders' approval requirements, will be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant us, a waiver from strict compliance with the announcement and, for GTS Framework Agreement, independent shareholders' approval requirements. The waiver from

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## CONNECTED TRANSACTIONS

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strict compliance with the Listing Rules in respect of the continuing connected transactions under the GTM Framework Agreement and GTS Framework Agreement is subject to the conditions that (a) the above non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules and we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and (b) the aggregate value of each of these non-exempt continuing connected transactions for each of the financial years ending 31 March 2019 will not exceed the relevant annual caps set out above.

### **DIRECTORS' VIEW**

Our Directors, including the independent non-executive Directors, consider that all of the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of our Group, on normal commercial terms, are fair and reasonable, and in the interests of our Group and the Shareholders as a whole.

### **SPONSOR'S VIEW**

The Sponsor is of the view that the non-exempt continuing connected transactions as disclosed in this section have been and will be entered into in the ordinary and usual course of business, are and will be on normal commercial terms, fair and reasonable, and in the interests of our Group and the Shareholders as a whole. The Sponsor is also of the view that the respective annual caps are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our Group's business. Our Board consists of five Directors, including two executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
<i>Executive Directors</i>						
Mr. Joseph Wang (王麒銘)	54	Chairman, Chief Executive Officer and executive Director	28 March 1994	12 April 2016	Overall strategic management and development of our Group's business operations	Father of Mr. Wang Yu Hin
Mr. Wang Yu Hin (王宇軒)	31	Executive Director	24 September 2014	18 July 2016	Overseeing our Group's operation, business development, human resources, finance and administration	Son of Mr. Joseph Wang
<i>Independent non-executive Directors</i>						
Mr. Lai Ah Ming Leon (黎雅明)	59	Independent non-executive Director	17 January 2017	17 January 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group	N/A
Mr. Lam Wai Ho (林偉豪)	50	Independent non-executive Director	17 January 2017	17 January 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group	N/A
Mr. Kwong Ping Man (鄺炳文)	52	Independent non-executive Director	17 January 2017	17 January 2017	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement and advising on the issues of strategy, performance, resources and standard of conduct of our Group	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### EXECUTIVE DIRECTORS

**Mr. Wang Kei Ming** (王麒銘) (“**Mr. Joseph Wang**”), aged 54, is our Chairman, Chief Executive Officer and an executive Director. Mr. Joseph Wang is responsible for the overall strategic management and development of our Group’s business operations. Mr. Joseph Wang founded our Group in March 1994. He was appointed as Director on 12 April 2016 and re-designated as our Chairman, Chief Executive Officer and an executive Director on 18 July 2016. Mr. Joseph Wang is also a member of each of the Nomination Committee and the Remuneration Committee. Mr. Joseph Wang was appointed as the director of Ming Tai CE on 28 March 1994 and the director of Ming Tai Construction on 3 May 1999. Mr. Joseph Wang is a director of all other subsidiaries of our Group, namely, MT Construction, MT Engineering, MT Technology and Genuine Technology.

Mr. Joseph Wang has over 38 years of experience in the formwork construction industry, having entered the construction industry as a formwork construction apprentice in 1978. From 1981 to 1993, he continued to gather extensive knowledge and expertise in formwork construction industry by participating in different construction projects. Mr. Joseph Wang then established Ming Tai CE in March 1994 and expanded his business by establishing Ming Tai Construction and Genuine Technology over the years. Mr. Joseph Wang was a committee member of the Hong Kong Construction Sub-contractors Association (香港建造業分包商聯會有限公司) from July 2012 to June 2015 and has been its vice President since July 2015. He was the vice president of the Hong Kong Formwork Contractors Association Limited (香港模板商會有限公司) from March 2011 to May 2015 and has been its president since May 2015.

Mr. Joseph Wang was a director of the following companies incorporated in Hong Kong prior to their dissolutions (but not due to members’ voluntary winding-up) with details as follows:

<b>Name of company</b>	<b>Nature of business immediately prior to dissolution</b>	<b>Date of dissolution</b>
Gurkhas Ming Tai (JV) Limited (明泰廓爾喀(聯營)有限公司) ( <i>Note 1</i> )	Ceased business	4 August 2006
Micky Company Limited (啟贊有限公司) ( <i>Note 2</i> )	Ceased business	9 August 2002
Right Choice Construction Engineering Limited (日昇建築有限公司) ( <i>Note 3</i> )	Ceased business	13 January 2017

*Notes:*

1. Gurkhas Ming Tai (JV) Limited was deregistered under 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 members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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2. Micky Company Limited was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.
3. Right Choice Construction Engineering was deregistered under section 751 of the Companies Ordinance. Under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Joseph Wang confirmed that there was no wrongful act on his part leading to the above dissolutions of Gurkhas Ming Tai (JV) Limited and Micky Company Limited and Right Choice Construction Engineering Limited, these companies were solvent immediately before their dissolutions, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of these companies.

Mr. Joseph Wang is the father of Mr. Wang Yu Hin.

**Mr. Wang Yu Hin** (王宇軒) (“**Mr. Benjamin Wang**”), aged 31, is an executive Director. Mr. Benjamin Wang is responsible for overseeing our Group's operation, business development, human resources, and finance and administration. Mr. Benjamin Wang was appointed as our executive Director on 18 July 2016.

Mr. Benjamin Wang graduated with a Bachelor of Science with a major in Chemistry from the University of California, Los Angeles in September 2006. Mr. Benjamin Wang continued to pursue his postgraduate education in biochemical science in the United States from October 2006 to late 2010. Mr. Benjamin Wang also completed an advanced workshop for general managers (總經理高級研修班) at the Tsinghua University Training Centre of Professional Managers (清華大學職業經理訓練中心) in July 2015. He had worked in Osstem Hong Kong Limited from May 2011 to September 2014 with his last position as assistant sales manager. He then joined Ming Tai Construction as personal assistant to the director in September 2014 and was subsequently promoted to cost controller in January 2016. Mr. Benjamin Wang obtained a Certificate in Safety and Health for Supervisors (Construction) from the Occupational Safety and Health Council in August 2014.

Mr. Benjamin Wang is the son of Mr. Joseph Wang, our Chairman, Chief Executive Officer, an executive Director and a Controlling Shareholder of our Company.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lai Ah Ming Leon** (黎雅明) (“**Mr. Lai**”), aged 59, was appointed as our independent non-executive Director on 17 January 2017. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Lai obtained a Bachelor of Laws with Honours from the University of Wales, University College, Cardiff in July 1982 and subsequently completed a Postgraduate Certificate in Laws at the University of Hong Kong in July 1986. Mr. Lai has been a



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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practising solicitor in Hong Kong and a member of the Law Society of Hong Kong since August 1988 and is the sole proprietor of a law firm in Hong Kong. He has also been an advocate and solicitor of the Supreme Court of Singapore since February 1995. He is currently an independent non-executive director of Allan International Holdings Limited (stock code: 684), a company listed on the Main Board of the Stock Exchange.

Mr. Lai was a director of the following companies incorporated in Hong Kong prior to their dissolutions (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Poly Youth Company Limited ( <i>Note 1</i> )	Ceased business	12 April 2002
Century Asia Company Limited (鉅亞有限公司) ( <i>Note 1</i> )	Ceased business	2 May 2003
Wealth Road Limited (富道有限公司) ( <i>Note 2</i> )	Ceased business	29 January 2010
Prominent Joy Company Limited ( <i>Note 2</i> )	Ceased business	1 June 2012
Tian Dong Limited (天東有限公司) ( <i>Note 3</i> )	Ceased business	13 November 2015
Shining Way Logistics Services Limited (威耀物流服務有限公司) ( <i>Note 3</i> )	Ceased business	29 April 2016

*Notes:*

1. Poly Youth Company Limited and Century Asia Company Limited were deregistered under 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 members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities.
2. Wealth Road Limited and Prominent Joy Company Limited were struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance respectively. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.
3. Tian Dong Limited and Shining Way Logistics Service Limited were deregistered under section 751 of the Companies Ordinance. Under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Lai confirmed that there was no wrongful act on his part leading to the above dissolutions of Poly Youth Company Limited, Century Asia Company Limited, Wealth Road Limited, Prominent Joy Company Limited, Tian Dong Limited and Shining Way Logistics Services Limited, these companies were solvent immediately before their dissolutions, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of these companies.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Lam Wai Ho** (林偉豪) (“**Mr. Lam**”), aged 50, was appointed as our independent non-executive Director on 17 January 2017. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee.

Mr. Lam obtained his Bachelor of Arts in Architectural Studies and Master of Architecture from the University of Hong Kong in December 1990 and November 1995 respectively. Mr. Lam was admitted as a member of the Hong Kong Institute of Architects in September 1999 and a corporate member of the Royal Institute of British Architects in July 2000. In August 2005, Mr. Lam also obtained a PRC Class 1 Registered Architect Qualification (中華人民共和國一級註冊建築師資格), and is currently an Authorised Person (List of Architects), a Registered Architect and a Registered Inspector (List of Architects) in Hong Kong.

Between April 2000 and May 2011, Mr. Lam had been a resident architect of various projects, including but not limited to the following:

<b>Name of project</b>	<b>Location</b>	<b>Client</b>	<b>Employer</b>
Departmental Quarters at Lee On Road	Hong Kong	Architectural Services Department of the Hong Kong Government	Hsin Chong-Taylor Woodrow Joint Venture No. 1
New TV City Project at Tsueng Kwan O	Hong Kong	Television Broadcast Limited ( <i>a company listed on the Main Board (stock code: 511)</i> )	Leigh & Orange Limited
Centralpark Project (新城國際)	Beijing, PRC	The Vantone Group and Hongkong Land	Wong & Tung International Limited (Beijing)
Western Border Crossing Immigration Building Project	Shenzhen, PRC	Architectural Services Department of the Hong Kong Government	LD Asia (Llewelyn-Davies HK Limited)

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Lam was a director of the following company incorporated in Hong Kong prior to its dissolution (but not due to members' voluntary winding-up) with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Right Architects Limited (本誠建築師樓有限公司) (Note 1)	Ceased business	14 December 2012

Note:

- Right Architects Limited was deregistered under 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 members of the company agree to such deregistration; (b) the company has not commenced business operation, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Lam confirmed that there was no wrongful act on his part leading to the above dissolution of Right Architects Limited, Right Architects Limited was solvent immediately before its dissolutions, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Right Architects Limited.

**Mr. Kwong Ping Man** (鄺炳文) (“**Mr. Kwong**”), aged 52, was appointed as our independent non-executive Director on 17 January 2017. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee. Mr. Kwong possesses over 24 years of experience in accounting and administration. He is currently the managing director of O’park Corporate Services Limited, a company primarily engaged in corporate advisory and company secretarial services.

Mr. Kwong’s primary working experience also includes:

Name of organisation	Principal business activity	Position	Period of service
China Agroforestry Low-Carbon Holdings Limited (formerly known as “Jiangchen International Holdings Limited”) (a company listed on the Main Board (stock code: 1069))	Manufacture and wholesale of original equipment manufacture of branded products and operations and management of forestry	Company secretary	September 2009 – June 2013
Jimei International Entertainment Group Limited (formerly known as “Karce International Holdings Company Limited”) (a company listed on the Main Board (stock code: 1159))	Entertainment and gaming business, and trading of chemical products, and energy conservation and environmental protection products	Financial controller and company secretary	June 2008 – January 2009

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name of organisation	Principal business activity	Position	Period of service
Polyard Petroleum International Group (formerly known as “Kanstar Environmental Paper Products Holdings Limited”) (a company listed on the GEM (stock code: 8011))	Exploitation of oil, natural gas and coal, and trading in petroleum-related products	Financial controller and company secretary	March 2006 – July 2007
Sinobest Technology Holdings Limited	Provision of computer and network system integration services, and application software development	Chief financial officer	September 2000 – April 2003
The World Enterprise (Holdings) Limited	Manufacture and sale of jewellery, optical and fashion products	Accountant	February 1997 – November 1998
Utilux (Asia) Limited	Manufacture of and trade in electronic connector	Accountant	October 1992 – November 1994

Mr. Kwong graduated from the Curtin University of Technology in Australia with a Bachelor of Commerce in Accounting in August 1996. He obtained a Postgraduate Diploma in Corporate Administration and a Master of Professional Accounting from the Hong Kong Polytechnic University in November 1998 and November 2003, respectively. He is also a certified practising accountant of the Australian Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate member of each of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators.

In the three years preceding the date of this prospectus, Mr. Kwong has held directorships in the following listed companies:

Name of company	Principal business activity	Position	Period of service
Clear Lift Holdings Limited (a company listed on the Main Board (stock code: 1341))	Leasing and trading of construction machinery and parts, and transportation services	Independent non-executive director	October 2015 to present
Group Sense (International) Limited (a company listed on the Main Board (stock code: 0601))	Design, manufacture and sale of original design manufacturing electronic dictionary products, personal communication products and other magnesium related products	Independent non-executive director	March 2015 to present
Elegance Optical International Holdings Limited (a company listed on the Main Board (stock code: 907))	Manufacture and trading of optical frames and sunglasses	Independent non-executive director	May 2014 to present
Tang Palace (China) Holdings Limited (a company listed on the Main Board (stock code: 1181))	Restaurant operations and food production	Independent non-executive director	March 2011 to present

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name of company	Principal business activity	Position	Period of service
Century Sunshine Group Holdings Limited ( <i>a company listed on the Main Board (stock code: 509)</i> )	Trading in fertiliser, magnesium products and metallurgical flux	Independent non-executive director	September 2004 to present
China Candy Holdings Limited ( <i>a company listed on the GEM (stock code: 8182)</i> )	Manufacture of candies	Independent non-executive director	October 2015 – February 2016
Yat Sing Holdings Limited ( <i>a company listed on the Main Board (stock code: 3708)</i> )	Building maintenance and renovation service provider	Independent non-executive director	December 2014 – March 2016

Mr. Kwong was a director of the following companies incorporated in Hong Kong prior to their dissolutions (but not due to members' voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Keenlex Holdings Limited (健歷控股有限公司) ( <i>Note 1</i> )	Ceased business	2 December 2005
Fairy Farm (International) Holdings Limited (仙桃源(國際)控股有限公司) ( <i>Note 1</i> )	Ceased business	1 August 2008
Global Wheel International Limited (華輪國際有限公司) ( <i>Note 1</i> )	Ceased business	19 December 2008
Evertch International Creation Limited (恒達國際創建有限公司) ( <i>Note 1</i> )	Ceased business	14 April 2014
Guoye (HK) Construction & Decoration Limited (國業(香港)建築裝飾工程有限公司) ( <i>Note 1</i> )	Ceased business	13 December 2013

*Note:*

- Keenlex Holdings Limited, Fairy Farm (International) Holdings Limited, Global Wheel International Limited, Evertch International Creation Limited and Guoye (HK) Construction & Decoration Limited were deregistered under 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 members of the company agree to such deregistration; (b) the company has not commenced business or operation, or has not been in operation or carried on business during the three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Kwong confirmed that there was no wrongful act on his part leading to the above dissolutions of Keenlex Holdings Limited, Fairy Farm (International) Holdings Limited, Global Wheel International Limited, Evertch International Creation Limited and Guoye (HK) Construction & Decoration Limited, these companies were immediately solvent before their dissolutions, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of these companies

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Chan Wing Seng (陳永成)	49	Financial Controller	13 May 2013	13 May 2013	Overseeing our Group's financial operations, legal affairs and strategic management	N/A
Mr. Chan Yiu Kwok (陳耀國)	56	Commercial Director	1 August 2011	1 August 2011	Overseeing our Group's quantity surveyance, contract disputes and litigations	N/A
Mr. Wong Wai Kai (王維佳)	56	Project Director	1 May 2001	1 May 2001	Overseeing and monitoring our projects, operations and business development	N/A
Mr. Ng Ho Lam (吳浩霖)	41	Deputy Project Director	1 March 2010	1 March 2010	Daily monitoring and management of our projects	N/A

Mr. Chan Wing Seng (陳永成) (“**Mr. Chan WS**”), aged 49, is the financial controller of our Group. Mr. Chan WS is responsible for overseeing our Group's financial operations, legal affairs and strategic management.

Mr. Chan WS obtained a Certificate in Accountancy from the Tuen Mun Technical Institute in June 1988 and a Higher Certificate in Accountancy and a Post-experience Certificate in Accountancy from the Hong Kong Polytechnic University in November 1991 and October 1995, respectively. He then obtained his Master of Professional Accounting and Master of Corporate Governance through distance learning from The Open University of Hong Kong in June 2004 and June 2009, respectively. Mr. Chan WS has been an accredited accounting technician of the Hong Kong Association of Accounting Technicians since June 1990. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since September 1996 and each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since November

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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2009. Mr. Chan WS has also been a fellow member of the Association of Chartered Certified Accountants since June 2001. He completed the Construction Safety Supervisor Course held by the Construction Industry Council in June 2015.

Mr. Chan WS joined our Group as accounting manager in May 2013 and was subsequently promoted to financial controller in October 2013. His working experience prior to joining our Group includes the following:

Name of company	Principal business activity	Last position	Period of service
Gemdale Properties and Investment Corporation Limited (Formerly known as Frasers Property (China) Limited) <i>(a company listed on the Main Board (stock code: 535))</i>	Property development	Senior Manager – Finance	February 2012 – December 2012
Hung Wan Construction Company Limited	Construction works	Financial Controller	October 2006 – January 2012
Yeebo LCD Limited <i>(a company listed on the Main Board (stock code: 259))</i>	Design, manufacture and sale of LCD (liquid crystal display) products	Financial Controller	February 2005 – October 2006
Diamondlite Limited	Design and manufacture of precious and semi-precious jewelry	Accounting Manager	October 2003 – February 2005
Levi Strauss (Hong Kong) Limited	Design, manufacture and sale of ready-to-wear clothing	Finance Manager – China	August 2002 – October 2003
Le Saunda Management Limited <i>(a company listed on the Main Board (stock code: 738))</i>	Design, manufacture and sale of fashion footwear	Accounting Manager	August 1999 – August 2002
Pacific Telecommunications & Information Limited	Telecommunication operations	Accounting Manager	January 1998 – August 1999
American Dream Parks & Entertainment Company Limited	Theme park, shopping mall and entertainment property developer	Vice President – Finance	June 1995 – May 1997
Rosewood Hotel Group (formerly known as New World Hotels International Limited)	Hotel development and hospitality management	Assistant Accountant	April 1992 – April 1995
Charles Chan, Ip & Fung (Certified Public Accountants)	Accountancy firm	Senior Auditor	August 1989 – March 1992

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Chan Yiu Kwok** (陳耀國) (“**Mr. Chan YK**”), aged 56, is the commercial director of our Group. He joined our Group as commercial director in August 2011. Mr. Chan is primarily responsible for overseeing our Group’s quantity surveyance, contract disputes and litigations.

Mr. Chan YK obtained a Certificate in Building Studies from Morrison Hill Technical Institute of Vocational Training Council Hong Kong in July 1983 and a Higher Certificate in Building Studies from the Hong Kong Polytechnic University in November 1987. He then obtained an Associate Diploma in Engineering (Electrical Engineering) from the Southern Sydney Institute of the New South Wales Technical and Further Education Commission in July 1995, and received his Bachelor of Applied Science in Construction Management and Economics from Curtin University of Technology in Australia in April 2001.

Mr. Chan YK has been a Registered Professional Surveyor in the Quantity Surveying Division of the Surveyors Registration Board of Hong Kong since July 2007, and has also obtained several memberships in chartered industry institutions and other bodies, including:

Name of institution	Membership grade	Date of approval of current membership grade
The Society of Surveying Technicians	Associate member, Quantity Surveying Division	April 1990
The Association of Cost Engineers	Member	April 2000
The Association for Project Management	Member	March 2001
The Australian Institute of Building	Member	July 2001
The Chartered Institute of Building	Member	September 2002
The Chartered Institution of Civil Engineering Surveyors	Member	April 2003
The Royal Institution of Chartered Surveyors	Professional member	November 2004
The Hong Kong Institute of Surveyors	Member	August 2005

Mr. Chan YK’s working experience prior to joining our Group includes the following:

Name of company	Principal business activity	Position	Period of service
Maeda Corporation	Construction and civil engineering works	Quantity Surveying Manager	November 2001 – August 2011
Chun Wo Construction & Engineering Company Limited	Construction works	Assistant Quantity Surveying Manager	March 1999 – October 2001



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name of company	Principal business activity	Position	Period of service
Nishimatsu Construction Company Limited	Construction and civil engineering works	Senior Quantity Surveyor	September 1995 – September 1998
H. H. Robertson (Australia) Pty. Limited	Design and manufacture of construction and civil engineering products and systems	Branch Administrator	July 1990 – July 1992
Nishimatsu Construction Company Limited	Construction works	Project Quantity Surveyor	December 1987 – July 1990
Gammon Building Construction Limited	Construction and civil engineering works	Assistant Quantity Surveyor	May 1981 – August 1987
On Lee General Contractors Limited	Construction and civil engineering works	Site Clerk	May 1981 – August 1987

**Mr. Wong Wai Kai** (王維佳) (“**Mr. Wong**”), aged 56, is the project director of our Group. Mr. Wong is primarily responsible for overseeing and monitoring our projects, operations and business development.

Mr. Wong has over 36 years of experience in the construction industry. He started working as a construction worker from 1980 to 1989 in various construction companies in Hong Kong. Mr. Wong had worked for Hopewell Holdings Limited (stock code: 54), a company listed on the Main Board of the Stock Exchange, as general foreman from 1989 to 1993. He then joined China State Construction Engineering (Hong Kong) Limited as general foreman from 1993 to 1994. Mr. Wong had been the general foreman in Junic Construction Company Limited from 1994 to 1997 and Wecon Construction & Engineering Limited from 1997 to 2001. Mr. Wong joined our Group as project manager in May 2001 and was subsequently promoted to senior project manager in September 2012. He was promoted to his current position in January 2014. Mr. Wong also completed the Safety Supervisor Training Course held by Hong Kong Human Resources Limited in January 2009.

**Mr. Ng Ho Lam** (吳浩霖) (“**Mr. Ng**”), aged 41, is the deputy project director of our Group. Mr. Ng is primarily responsible for daily monitoring and management of our projects.

Mr. Ng has over 25 years of experience in the construction industry. He started working as a construction worker from 1991 to 1999 in various construction companies in Hong Kong after completing Form 5 of secondary education. Prior to joining our Group, Mr. Ng worked as a foreman at Shui Wing Engineering Co. Ltd. (瑞榮工程有限公司) from 2000 to 2008 and as a director at Lik Wah Engineering Limited (力華工程有限公司) from 2008 to 2010. Mr. Ng joined our Group as assistant project manager in March 2010 and was subsequently promoted to project manager in April 2011 and senior project manager in September 2013, respectively. He was promoted to his current position in December 2015.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### COMPANY SECRETARY

**Ms. Yim Sau Ping** (嚴秀屏) (“**Ms. Yim**”), aged 34, graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in 2007 and has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2010. She has accumulated more than 8 years of experience in accounting, auditing and financial management. Ms. Yim was appointed as the company secretary of our Company on 18 July 2016.

Prior to joining our Group, Ms. Yim worked for Ngai Shun Holdings Limited (stock code: 1246), a company listed on the Main Board of the Stock Exchange, as a company secretary from October 2014 to May 2015, and as a financial controller from October 2014 to August 2015. She also worked for JC Group Holdings Limited (now known as “Tonking New Energy Group Holdings Limited”) (stock code: 8326), a company listed on the Growth Enterprise Market of the Stock Exchange, as a company secretary from November 2013 to December 2013, and as an accounting manager from April 2012 to December 2013. She is currently the director of Blooming (HK) Business Limited, a company primarily engaged in corporate advisory and company secretarial services.

### AUDIT COMMITTEE

Our Audit Committee was established by our Board on 17 January 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and the risk management and internal control systems of our Group. The Audit Committee comprises three members, namely Mr. Lai Ah Ming Leon, Mr. Lam Wai Ho and Mr. Kwong Ping Man. Mr. Kwong Ping Man is the chairman of the Audit Committee.

### REMUNERATION COMMITTEE

Our Remuneration Committee was established by our Board on 17 January 2017 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Remuneration Committee comprises four members, namely Mr. Lai Ah Ming Leon, Mr. Lam Wai Ho, Mr. Kwong Ping Man and Mr. Joseph Wang. Mr. Lai Ah Ming Leon is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, among other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group’s policy and structure for all remuneration of our Directors and senior management.

### NOMINATION COMMITTEE

Our Nomination Committee was established by our Board on 17 January 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Nomination Committee comprises four members, namely Mr. Lai Ah Ming Leon, Mr. Lam Wai Ho, Mr. Kwong Ping Man and Mr.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Joseph Wang. Mr. Lam Wai Ho is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are, among other things, to make recommendations to our Board on appointment of Directors and succession planning for our Directors.

### CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules after Listing.

Under paragraph A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of our Company, Mr. Joseph Wang is our Chairman and Chief Executive Officer. With his extensive experience in the industry, our Board believes that vesting the roles of both chairman and chief executive officer in the same person provides our Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of our Group. Although Mr. Joseph Wang performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of our Board, while the chief executive officer is responsible for the management of the business of our Group. The two roles are performed by Mr. Joseph Wang distinctly. We also consider that the current structure does not impair the balance of power and authority between our Board and the management of our Company given the appropriate delegation of the power of our Board and the effective functions of our independent non-executive Directors. However, it is the long-term objective of our Company to have these two roles performed by separate individuals when suitable candidates are identified.

### COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Frontpage Capital to be the compliance adviser to advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rules 3A.23 and 3A.24 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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

### DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 was approximately HK\$3,187,000, HK\$3,970,000, HK\$4,824,000 and HK\$2,972,000, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group (excluding directors) for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 was approximately HK\$4,058,000, HK\$4,956,000, HK\$7,324,000 and HK\$1,582,000, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 was approximately HK\$15,000, HK\$27,000, HK\$36,000 and HK\$12,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial Shareholders, Directors and experts – 3. Directors' remuneration" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 was approximately HK\$9,362,000, HK\$10,487,000, HK\$12,157,000 and HK\$4,388,000, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 10 in the Accountants' Report set out in Appendix I to this prospectus.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **MANDATORY PROVIDENT FUND SCHEME**

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

### **SHARE OPTION SCHEME**

The Share Option Scheme was conditionally adopted by our Company pursuant to the written resolutions of our Shareholders passed on 17 January 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Share Offer will be as follows:

	<i>HK\$</i>
<i>Authorised share capital:</i>	
<u>2,000,000,000</u> Shares	<u>20,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:*

	<i>HK\$</i>
10,000 Shares in issue at the date of this prospectus	100
983,990,000 Shares to be issued pursuant to the Capitalisation Issue	9,839,900
<u>216,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,160,000</u>
<u>1,200,000,000</u> Total	<u>12,000,000</u>

### RANKING

The Offer Shares will rank identical in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

### CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 17 January 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 983,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 17 January 2017 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$9,839,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank identical in all respects with the existing issued Shares.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 17 January 2017” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

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## SHARE CAPITAL

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This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 17 January 2017” and headed “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.



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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held as at 29 July 2016 <i>(Note 4)</i>	Percentage of shareholding as at 29 July 2016 <i>(Note 4)</i>	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Wang K M <i>(Note 2)</i>	Beneficial owner	9,000	90%	801,600,000	66.8%
Mr. Joseph Wang <i>(Note 2)</i>	Interested in a controlled corporation	9,000	90%	801,600,000	66.8%
Ms. Chao Lai Heng <i>(Note 3)</i>	Interest of spouse	9,000	90%	801,600,000	66.8%

*Notes:*

1. All interests stated are long positions.
2. Wang K M is 100% owned by Mr. Joseph Wang. Therefore, Mr. Joseph Wang is deemed to be interested in all the Shares held by Wang K M for the purpose of the SFO.
3. Ms. Chao Lai Heng is the spouse of Mr. Joseph Wang. Accordingly, Ms. Chao Lai Heng is deemed, or taken to be, interested in all the Shares in which Mr. Joseph Wang is interested for the purpose of the SFO.
4. The date of filling of the application proof of this prospectus and prior to completion of the Reorganisation.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “Statutory and General Information – A. Further information about our Company” in Appendix IV to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are a major subcontractor specialising in providing formwork erection as well as related ancillary services in Hong Kong. According to the Ipsos Report, our Group accounted for about 9.8% of the total industry's revenue in Hong Kong for the financial year ended 31 March 2016, when there were over 740 subcontractors on the list of registered subcontractors under formworks category. In addition to traditional timber formwork erection, we are capable of assembling system formwork, which are formwork made of aluminium or steel for both building construction and civil engineering projects.

Our formwork business started since 1994 and we have accumulated more than 22 years of experience. We have also participated in a number of large-scale construction projects. We actively undertake large-scale formwork erection projects for building construction and civil engineering. We completed 11 and 4 building construction and civil engineering projects during the Track Record Period and up to the Latest Practicable Date, and have 10 building construction and 5 civil engineering projects on hand as at the Latest Practicable Date with outstanding contract sums as at 31 July 2016 of approximately HK\$488,397,000 and approximately HK\$240,439,000, respectively.

During the Track Record Period, we recognised revenue of approximately HK\$318,287,000, HK\$287,660,000, HK\$481,943,000 and HK\$152,346,000 and net profit of approximately HK\$39,166,000, HK\$34,270,000, HK\$49,791,000 and HK\$18,039,000 for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability. Before the completion of the Reorganisation, Ming Tai Construction, Ming Tai CE and Genuine Technology were wholly-owned by Mr. Joseph

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## FINANCIAL INFORMATION

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Wang. In preparation of the Listing, the companies comprising our Group underwent the Reorganisation, further details of which are explained in the section headed “History, Development and Reorganisation – Reorganisation” of this prospectus.

Pursuant to the completion of Reorganisation, on 28 June 2016, our Company has become the holding company of the companies now comprising our Group. Accordingly, our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity and the consolidated financial statements have been prepared as if the current Group structure had been in existence throughout the Track Record Period.

Our consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). In addition, the consolidated financial statements comply with applicable disclosures required by the Listing Rules and by the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Our consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each of the financial year end dates or end of reporting period.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with our Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk Factors” of this prospectus:

#### **Market demand for construction activities**

We derive our revenue mainly from civil engineering and building construction works, whose demand relates to the number of infrastructure projects, which may vary according to a combination of factors including the amount of Government spending, investment prospects of Hong Kong, the demand of infrastructure, supply of land, population growth, etc. Our revenue was affected by the number and size of civil engineering and building construction projects we undertook during the Track Record Period. The increase or decrease in the demand for construction activities would therefore affect the demand of our services. There is no assurance that the number of construction projects will not decrease in the future and any reduction in the number of construction projects in Hong Kong would adversely and materially affect our business in general and our results of operation.

#### **Pricing of our projects**

One of the key drivers to our profitability is our pricing. Although we determine our project prices based on a cost-plus method with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our civil

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## FINANCIAL INFORMATION

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engineering and building construction projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in rules, regulations and policies set out by the Government. Actual site condition may be significantly different from our original anticipation and technical issues could arise from time to time which both would adversely affect the total cost in completing our works. In addition, our unit prices and rates stated in the contract with our customers in general do not contain price fluctuation adjustment mechanism, that is, we must bear the risk of subsequent variation of the unit cost we perform our works, including any inflation, abrupt shortage of labour and materials, etc.

The price of each construction contract is determined with reference to our bids and substantially agreed to at the time a project is awarded. In order to determine the bids, we need to estimate the time and costs involved in a project. However, we may fail to accurately estimate completion costs. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, we may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect our financial performance and results of operations.

### **Collectability and timing of collection of our trade debtors and retention monies receivables**

We normally receive progress payments from our customers on a regular basis with reference to the value of works done, and a portion of such payment, ranging from 2.5% to 10%, is usually withheld by our customers as retention money and normally, half of which will be remitted to us after completion of our works and the remaining half of which will be remitted to us upon the agreement of the final account between our customers and us. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full. As at 31 July 2016, our trade receivables amounted to approximately HK\$43,834,000 and our retention receivables amounted to approximately HK\$25,004,000. Any late payment, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

### **Our ability to achieve success in the tendering process**

Our formwork erection projects, from which we primarily generate revenue, were principally awarded through competitive tender process. Our business is contract-based which is non-recurrent in nature. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, we do not enter into any long-term agreement with our customers and we have to undergo the entire tender process for every new project. For the three years ended 31 March 2016 and the four months ended 31 July 2016, we recorded a tender success rate of approximately 3.3%, 2.8%, 2.5% and 1.3%, respectively. There is no assurance that our Group could achieve the same or higher

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tender success rate in the future as we did in the past. If our Group is unable to secure new tenders or obtain new contracts, there may be a significant decrease in our revenue which may adversely affect our operation and financial results.

### **Fluctuation in direct costs**

Our key direct costs in providing the formwork erection projects are (i) costs of construction materials; (ii) direct labour; and (iii) subcontracting charges. For the three years ended 31 March 2016 and the four months ended 31 July 2016, the costs of construction materials, direct labour and subcontracting charges represented 89.1%, 90.3%, 91.3% and 94.5% of our total direct costs, respectively. For the details of our component of direct costs, please refer to paragraph headed “Selected line items in the consolidated statements of profit or loss and other comprehensive income – Direct costs” in this section.

To perform the formwork erection projects, we primarily purchase the following materials: (i) timber products; (ii) metal formwork components; (iii) metal scaffoldings and related equipment; and (iv) metalware products. We also usually subcontract the most labour intensive part of our works, which are mainly formwork and metal scaffold assembling to other subcontractors in a project.

Since costs of construction materials, direct labour and subcontracting charges are the major component of our direct costs, fluctuation in any of the aforesaid components will affect our direct costs during the actual implementation of the project. In the event that the direct costs increase unexpectedly to the extent that we have to incur substantial extra costs without sufficient compensations, our financial performance and profitability will be adversely affected.

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in costs of construction materials, direct labour and subcontracting charges on our profit before tax during the Track Record Period, assuming all other variables remained constant.

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### Hypothetical fluctuations *(Note 1)*

	<b>-66.6%</b>	<b>-24.5%</b>	<b>24.5%</b>	<b>66.6%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Decrease)/increase in cost of construction material</i>				
Year ended 31 March 2014	(56,581)	(20,814)	20,814	56,581
Year ended 31 March 2015	(42,717)	(15,714)	15,714	42,717
Year ended 31 March 2016	(71,184)	(26,186)	26,186	71,184
Four months ended 31 July 2016	(20,618)	(7,585)	7,585	20,618
<i>Increase/(decrease) in profit after income tax</i>				
Year ended 31 March 2014	47,245	17,380	(17,380)	(47,245)
Year ended 31 March 2015	35,669	13,121	(13,121)	(35,669)
Year ended 31 March 2016	59,439	21,866	(21,866)	(59,439)
Four months ended 31 July 2016	17,216	6,333	(6,333)	(17,216)

### Hypothetical fluctuations *(Note 2)*

	<b>-79.6%</b>	<b>-1.5%</b>	<b>1.5%</b>	<b>79.6%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Decrease)/increase in direct labour costs</i>				
Year ended 31 March 2014	(83,378)	(1,571)	1,571	83,378
Year ended 31 March 2015	(84,644)	(1,595)	1,595	84,644
Year ended 31 March 2016	(151,999)	(2,864)	2,864	151,999
Four months ended 31 July 2016	(53,402)	(1,006)	1,006	53,402
<i>Increase/(decrease) in profit after income tax</i>				
Year ended 31 March 2014	69,620	1,312	(1,312)	(69,620)
Year ended 31 March 2015	70,678	1,332	(1,332)	(70,678)
Year ended 31 March 2016	126,919	2,392	(2,392)	(126,919)
Four months ended 31 July 2016	44,591	840	(840)	(44,591)

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### Hypothetical fluctuations *(Note 3)*

	-49.7%	-2.1%	2.1%	49.7%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Decrease)/increase in</i>				
<i>subcontracting charges</i>				
Year ended 31 March 2014	(19,651)	(830)	830	19,651
Year ended 31 March 2015	(19,233)	(813)	813	19,233
Year ended 31 March 2016	(28,792)	(1,217)	1,217	28,792
Four months ended 31 July 2016	(8,563)	(362)	362	8,563
<i>Increase/(decrease) in profit after</i>				
<i>income tax</i>				
Year ended 31 March 2014	16,409	693	(693)	(16,409)
Year ended 31 March 2015	16,059	679	(679)	(16,059)
Year ended 31 March 2016	24,041	1,016	(1,016)	(24,041)
Four months ended 31 July 2016	7,150	302	(302)	(7,150)

*Notes:*

1. Absolute values of the highest and the lowest year-on-year percentage changes in our cost of construction materials during the Track Record Period, i.e. 66.6% and 24.5%, respectively, have been applied as hypothetical fluctuations.
2. Absolute values of the highest and the lowest year-on-year percentage changes in our direct labour costs during the Track Record Period, i.e. 79.6% and 1.5%, respectively, have been applied as hypothetical fluctuations.
3. Absolute values of the highest and the lowest year-on-year percentage changes in our subcontracting charges during the Track Record Period, i.e. 49.7% and 2.1%, respectively, have been applied as hypothetical fluctuations.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of the consolidated financial statements in accordance with HKFRSs. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified the following accounting policies and accounting estimates that are most critical to the preparation of our consolidated financial statements.

#### Revenue recognition

Revenue represents amounts received and receivables from construction services. For variation orders, revenue is included when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.

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## FINANCIAL INFORMATION

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Our main source of revenue is generated from construction contract work.

Revenue from contract work (including variation orders) is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed. Our Group submits regular payment applications to customers with reference to the activities performed in the previous month which were inspected by our customers from time to time to confirm and/or certify works done.

We recognise revenue to the extent which our works are certified by our customers as described above. Since certification of our works is not necessarily issued at our reporting-period end date for all of our projects, in this case, we estimate stage of completion up to the reporting-period end with reference to the most recent progress certification and the next progress certification before and subsequent to the reporting-period end and recognise revenue based on the cost incurred in that period. The amount of works performed as confirmed by the next progress certification that takes place subsequent to the reporting-period end is allocated between the two financial periods based on the amount of works performed as recorded in the daily work sheets prepared by our staff for the relevant period.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to us 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.

### **Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the financial or reporting-period end date. Under the stage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.



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When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work.

### **Critical accounting judgement and key sources of estimation uncertainty**

#### *Allowance for trade and other receivables*

Our Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. During the Track Record Period, our Group had not made any such allowance for doubtful debt.

### **RESULTS OF OPERATIONS OF OUR GROUP**

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

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	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
<b>Revenue</b>	318,287	100.0	287,660	100	481,943	100	145,435	100	152,346	100
Direct costs	(257,586)	(80.9)	(231,644)	(80.5)	(389,711)	(80.9)	(111,325)	(76.5)	(121,888)	(80.0)
<b>Gross profit</b>	60,701	19.1	56,016	19.5	92,232	19.1	34,110	23.5	30,458	20.0
Other income, other gains and losses	5,360	1.7	10,801	3.8	5,026	1.0	664	0.5	3,423	2.2
Administration and other operating expenses	(17,397)	(5.5)	(25,622)	(8.9)	(33,126)	(6.9)	(9,787)	(6.7)	(11,490)	(7.5)
Finance costs	(1,545)	(0.5)	(1,108)	(0.4)	(2,134)	(0.4)	(682)	(0.5)	(1,070)	(0.7)
<b>Profit before tax</b>	47,119	14.8	40,087	14.0	61,998	12.8	24,305	16.8	21,321	14.0
Income tax expense	(7,953)	(2.5)	(5,817)	(2.0)	(12,207)	(2.5)	(4,010)	(2.8)	(3,282)	(2.2)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>	<b>39,166</b>	<b>12.3</b>	<b>34,270</b>	<b>12.0</b>	<b>49,791</b>	<b>10.3</b>	<b>20,295</b>	<b>14.0</b>	<b>18,039</b>	<b>11.8</b>

### SELECTED LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Our revenue is principally generated from providing formwork erection as well as related ancillary services for building construction and civil engineering in Hong Kong. During the Track Record Period, 25 projects in total had been recognised revenue, of which 13 projects were completed and 12 were still ongoing as at 31 July 2016. For the completed projects, 9 and 4 projects were related to building construction and civil engineering, respectively. For the projects which were still ongoing, 8 and 4 projects were related to building construction and civil engineering, respectively. The following table sets out our revenue generated from projects related to building construction and civil engineering:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Revenue</b>										
Building construction projects	58,399	18.3	103,666	36.0	246,514	51.2	78,188	53.8	78,238	51.4
Civil engineering projects	259,888	81.7	183,994	64.0	235,429	48.8	67,247	46.2	74,108	48.6
	<b>318,287</b>	<b>100.0</b>	<b>287,660</b>	<b>100.0</b>	<b>481,943</b>	<b>100.0</b>	<b>145,435</b>	<b>100.0</b>	<b>152,346</b>	<b>100.0</b>

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Generally, our customers are employed by private developers for property development projects, theme park or resort operators for construction of resort facilities, or else they are employed by the Government or public transport operator for civil engineering projects. The following table sets out the revenue generated from the sector where our ultimate project employers belong to:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
							(unaudited)			
<b>Revenue</b>										
Public sector projects	264,180	83.0	190,317	66.2	244,709	50.8	67,247	46.2	93,986	61.7
Private sector projects	54,107	17.0	97,343	33.8	237,234	49.2	78,188	53.8	58,360	38.3
	<u>318,287</u>	<u>100.0</u>	<u>287,660</u>	<u>100.0</u>	<u>481,943</u>	<u>100.0</u>	<u>145,435</u>	<u>100.0</u>	<u>152,346</u>	<u>100.0</u>

The increase in revenue contributed from private sector projects during the Track Record Period was mainly due to our engagement in several large sized building construction projects which we started to recognise revenue in or around the year ended 31 March 2015.

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### Revenue from projects relating to building construction

The following table sets out the list of projects in relation to building construction carried out by us, which includes the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is established according to the progress certificates (by reference to the amount of completed works confirmed by customers) issued by the customers, as at 31 July 2016:

No.	Location of project	Project sector	Revenue recognised for the year ended 31 March			Revenue recognised for the four months ended 31 July 2016	Percentage of completion as at 31 July 2016
			2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	<i>HK\$'000</i>	%
1	Yau Tsim Mong District	Private	15,334	60,606	65,311	17,769	97.9
2	Yau Tsim Mong District	Private	–	10,224	33,478	642	96.4
3	Islands District	Private	–	11,037	98,688	6,059	91.0
4	Islands District	Private	–	–	21,547	4,458	100
5	Central and Western District	Private	–	–	5,104	16,375	93.9
6	Eastern District	Public	–	–	4,386	5,876	39.5
7	Yau Tsim Mong District	Public	–	–	4,894	14,002	4.8
8	Islands District	Private	–	–	9,956	12,297	100
9	Tsuen Wan District	Private	24,991	5,455	–	–	100
10	Southern District	Public	4,292	5,993	–	–	100
11	Kwun Tong District	Private	13,782	8,584	–	–	100
12	Sha Tin District	Private	–	918	630	–	100
13	Islands District	Private	–	–	1,762	–	100
14	Islands District	Private	–	–	758	–	99.3
15	Eastern District	Public	–	330	–	–	100
16	Sham Shui Po District	Private	–	519	–	–	100
17	Kowloon City District	Private	–	–	–	760	0.9
			<u>58,399</u>	<u>103,666</u>	<u>246,514</u>	<u>78,238</u>	

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### Revenue from projects relating to civil engineering

The following table sets out the list of projects in relation to the civil engineering which includes the details of each project such as the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is established according to the progress certificates (by reference to the amount of completed works confirmed by customers) issued by the customers, as at 31 July 2016:

No.	Location of project	Project sector	Revenue recognised for the year ended 31 March			Revenue recognised for the four months ended 31 July 2016	Percentage of completion as at 31 July 2016
			2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	HK\$'000	%
1	Yuen Long District	Public	116,204	21,626	–	–	100
2	Yau Tsim Mong District	Public	–	1,554	28,768	25,319	69.4
3	Kowloon City District	Public	88	7,353	34,946	25,701	28.8
4	Yau Tsim Mong District	Public	141,023	152,826	167,629	15,950	93.5
5	Tuen Mun District and Islands District	Public	–	–	3,322	7,138	57.8
6	Yau Tsim Mong District	Public	613	194	–	–	100
7	Tai Po District	Public	1,960	–	–	–	100
8	Tuen Mun District	Public	–	441	764	–	100
			<u>259,888</u>	<u>183,994</u>	<u>235,429</u>	<u>74,108</u>	

### Direct costs

The following table sets out the breakdown of our direct costs during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Costs of construction materials	84,956	33.0	64,140	27.7	106,883	27.4	41,511	37.3	30,958	25.4
Direct labour	104,746	40.7	106,337	45.9	190,953	49.0	49,835	44.8	67,088	55.0
Subcontracting charges	39,540	15.4	38,698	16.7	57,932	14.9	11,799	10.6	17,230	14.1
Other direct cost	<u>28,344</u>	<u>10.9</u>	<u>22,469</u>	<u>9.7</u>	<u>33,943</u>	<u>8.7</u>	<u>8,180</u>	<u>7.3</u>	<u>6,612</u>	<u>5.5</u>
	<u>257,586</u>	<u>100.0</u>	<u>231,644</u>	<u>100.0</u>	<u>389,711</u>	<u>100.0</u>	<u>111,325</u>	<u>100.0</u>	<u>121,888</u>	<u>100.0</u>

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### *Costs of construction materials*

Cost of construction materials mainly represents direct costs for the purchase of construction materials, such as plywood and aluminium, that are directly attributed to our construction project works.

### *Direct labour*

Direct labour represents salaries and benefits to our staff who are directly involved in the provision of our construction works.

### *Subcontracting charges*

Subcontracting charges represent fees paid to our subcontractor, who mainly perform formwork erection, scaffolding, plastering and concreting works for us.

### *Other direct cost*

Other direct cost includes less significant and/or miscellaneous direct costs for carrying out the formwork erection works undertaken by us, which mainly include the entertainment expenses, depreciation of our site equipment, travelling and consumables used in the site.

### **Gross profit and gross profit margin**

The following table sets forth our gross profits and gross profit margins by business types and the business sectors for the Track Record Period.

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Building construction projects	3,722	6.4	7,381	7.1	39,466	16.0	14,713	18.8	19,343	24.7
Civil engineering projects	<u>56,979</u>	21.9	<u>48,635</u>	26.4	<u>52,766</u>	22.4	<u>19,397</u>	28.8	<u>11,115</u>	15.0
	<u><u>60,701</u></u>	19.1	<u><u>56,016</u></u>	19.5	<u><u>92,232</u></u>	19.1	<u><u>34,110</u></u>	23.5	<u><u>30,458</u></u>	20.0

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	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Public sector projects	57,412	21.7	50,305	26.4	54,075	22.1	19,397	28.8	15,290	16.3
Private sector projects	<u>3,289</u>	6.1	<u>5,711</u>	5.9	<u>38,157</u>	16.1	<u>14,713</u>	18.8	<u>15,168</u>	26.0
	<u>60,701</u>	19.1	<u>56,016</u>	19.5	<u>92,232</u>	19.1	<u>34,110</u>	23.5	<u>30,458</u>	20.0

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) the nature and complexity of civil engineering works or building construction works that were undertaken by our Group; (ii) the progress of such projects during the relevant financial year; and (iii) our cost control and management, including execution of works efficiently. Our Directors consider that higher margin is expected to result from the optimised design of customised formwork proposals as the correct choice and mix of timber and system formworks can achieve cost savings in labour costs and/or material costs. As such, our gross profit margin achieved in a financial year is not an accurate indicator of our gross profit margin that may be achieved in a subsequent financial year.

### *Building construction*

Gross profit margin for the building construction segment was approximately 6.4%, 7.1%, 16.0% and 24.7% for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. Our gross profit margin for the building construction projects increased during the Track Record Period. In particular, during the year ended 31 March 2016, we were awarded contracts from a customer for the provision of building construction works in the Islands District. Gross profit margin from these projects were higher primarily because in preparing our tenders, our Directors considered the costs involved in mobilising our labour in the remote work site location were higher, and that the customer required stringent quality and safety requirements. As such, we factored in higher profit margin in our tender to counter to the risks foreseen.

### *Civil engineering*

Gross profit margin for the civil engineering segment was approximately 21.9%, 26.4%, 22.4% and 15.0% for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. The improvement in gross profit margin for the year ended 31 March 2015 due to the variation orders of one project completed during the year with significant revenue certified for the variation orders for which we managed costs well. Gross profit margin decreased slightly from 26.4% to 22.4% for the year ended 31 March 2016 was mainly due to the normal fluctuation in different civil engineering projects. The gross profit margin for the four months ended 31 July 2016 was mainly due to a gross loss of a civil engineering project for the period arising from the revision of budget cost

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taking into account the costs envisaged for the variation works and the temporary effect attributable to the timing of certifying the variation orders. The profit was in overall profitable during the Track Record Period.

Our Directors are of the view that civil engineering projects would normally yield our Group higher gross profit margin owing to factors such as (i) civil engineering structures are generally more complicated than standard building structures; (ii) civil engineering projects generally involve a number of uncertainties which lead to variations; and (iii) civil engineering projects are mostly public projects which are subject to more stringent supervision of various parties, which our Directors consider it reasonable to factor in higher profit margin for taking more risks as compared to building construction projects.

### *Public sector and private sector*

During the Track Record Period, gross profit margin for the public sector projects was generally higher than private sector projects, other than during the four months ended 31 July 2016, which our private sector project's gross profit margin was higher than public sector projects. The higher gross profit margin in public sector project is normally expected because a number of our public sector projects are civil engineering projects with higher profit margin as discussed above. The higher private sector project gross profit margin for the four months ended 31 July 2016 was mainly due to the building construction projects contributed significantly for the year ended 31 March 2016 and the four months ended 31 July 2016 located in the Islands District where our Directors considered that the costs involved in mobilising our labour in the remote work site location were higher and the customer requested stringent quality and safety requirements. Accordingly, higher profit margin was factored in our tender to the customer to counter to the risks involved.



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### Other income, other gains and losses

The following table sets forth the breakdown of other income and gains during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Other income</b>					
Interest income on deposits and prepayments for life insurance policy	128	115	113	37	37
Income from sale of scrap materials	4,393	7,836	2,731	478	695
Rental income	61	20	–	–	–
Government grants	–	–	–	–	215
Sundry income ( <i>Note</i> )	<u>778</u>	<u>2,722</u>	<u>2,816</u>	<u>586</u>	<u>2,469</u>
	<u>5,360</u>	<u>10,693</u>	<u>5,660</u>	<u>1,101</u>	<u>3,416</u>
<b>Other gains and losses</b>					
Net foreign exchange gains	–	–	1	–	–
Gain on disposal of property, plant and equipment	–	108	46	–	10
Loss arising on change in fair value of derivative financial instruments	<u>–</u>	<u>–</u>	<u>(681)</u>	<u>(437)</u>	<u>(3)</u>
	<u>5,360</u>	<u>108</u>	<u>(634)</u>	<u>(437)</u>	<u>7</u>
	<u><u>5,360</u></u>	<u><u>10,801</u></u>	<u><u>5,026</u></u>	<u><u>664</u></u>	<u><u>3,423</u></u>

*Note:*

Sundry income comprised mainly the subsidy resulting from the participation in recognised construction manpower training programme and other sundry income from our customers for works provided outside the scope of our contracts.

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### Administration and other operating expenses

The following table sets out the administrative expenses by nature during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Staff costs, including directors' emoluments	8,924	15,669	15,124	6,784	5,996
Depreciation	1,077	1,926	1,697	581	674
Entertainment	1,659	2,718	3,939	844	254
Listing expenses	–	–	3,970	–	1,795
Rent, rates and management fees	758	880	1,037	318	679
Travelling	837	794	2,534	564	92
Other miscellaneous expenses	4,142	3,635	4,825	696	2,000
	<u>17,397</u>	<u>25,622</u>	<u>33,126</u>	<u>9,787</u>	<u>11,490</u>

### Finance costs

The following table sets out the finance costs of our Group during the Track Record Period.

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Interest on bank borrowings and overdrafts	1,511	1,040	2,072	663	1,049
Interest on obligations under finance leases	34	68	62	19	21
	<u>1,545</u>	<u>1,108</u>	<u>2,134</u>	<u>682</u>	<u>1,070</u>

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### **Income tax expense**

As all the profits of our Group are derived from Hong Kong, we are subject to profits tax in Hong Kong. The statutory profits tax rate in Hong Kong was 16.5% during the Track Record Period. We have no tax payable in jurisdictions other than Hong Kong during the Track Record Period. Our income tax expense comprised current tax expense. Our effective tax rate during each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 were 16.9%, 14.5%, 19.7% and 15.4%, respectively.

The lower effective tax rate for the four months ended 31 July 2016 was mainly due to the utilisation of tax losses previously not recognised. Our effective tax rate was lower than the statutory tax rate for the year ended 31 March 2015 mainly due to, amongst others, utilisation of tax losses previously not recognised and additional tax reduction. The higher effective tax rate for the year ended 31 March 2016 was mainly due to the non-deductibility of the listing expenses. For the year ended 31 March 2014, our effective tax rate was higher than the statutory tax rate as certain tax losses that made by our subsidiaries cannot be offset by the profit of other subsidiaries within our Group.

Our Directors confirm that they were not aware of any disputes/unresolved tax issues with any tax authorities as at the Latest Practicable Date.

### **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

#### **Four months ended 31 July 2016 compared with four months ended 31 July 2015**

##### **Revenue**

Our revenue increased by approximately HK\$6,911,000 or approximately 4.8% from approximately HK\$145,435,000 for the four months ended 31 July 2015 to approximately HK\$152,346,000 for the four months ended 31 July 2016. Such increase was mainly due to the increase in the revenue recognised for our civil engineering projects. The increase was mainly attributable to (i) the commencement of five new projects subsequent to 31 July 2015 with revenue recognised of approximately HK\$55,687,000 for the four months ended 31 July 2016; and (ii) the increase in the revenue recognised from two projects as a result of the greater portion of work performed for the period for the four months ended 31 July 2016.

##### **Direct costs**

Our direct costs increased by approximately HK\$10,563,000 or approximately 9.5% from approximately HK\$111,325,000 for the four months ended 31 July 2015 to approximately HK\$121,888,000 for the four months ended 31 July 2016. Such increase was in line with our revenue growth, which was mainly resulted from the increase in direct labour as a result of the increase of construction activities of the projects undertaken for the period of comparison.

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### **Gross profit and gross profit margin**

Our gross profit decreased by approximately HK\$3,652,000 or approximately 10.7% from approximately HK\$34,110,000 for the four months ended 31 July 2015 to approximately HK\$30,458,000 for the four months ended 31 July 2016. Our gross profit margin also decreased from approximately 23.5% to approximately 20.0% for the period of comparison. Such decrease was mainly because one of our civil engineering projects recorded gross loss of approximately HK\$7,842,000 for the four months ended 31 July 2016 as compared to the gross profit of approximately HK\$15,151,000 recognised for the four months ended 31 July 2015. The gross loss of the project for the period was due to the revision of budget cost taking into account the costs envisaged for the variation works and the effect is temporary attributable to the timing of certifying the variation orders. The project was in overall profitable for the Track Record Period.

### **Other income, other gains and loss**

Our other income, other gains and losses increased by approximately HK\$2,759,000 or approximately 415.5% from approximately HK\$664,000 for the four months ended 31 July 2015 to approximately HK\$3,423,000 for the four months ended 31 July 2016. Such increase was mainly attributable to (i) the reversal of accrual of project costs of prior year project which was completed of approximately HK\$1,140,000 and (ii) the decrease in the fair value loss of approximately HK\$434,000 recognised for the derivative financial instruments relating to interest rate swap, which is a floating-to-fixed swap for an underlying floating rate bank loan.

### **Administration and other operating expenses**

Our administrative and other operating expenses increased by approximately HK\$1,703,000 or approximately 17.4% from approximately HK\$9,787,000 for the four months ended 31 July 2015 to approximately HK\$11,490,000 for the four months ended 31 July 2016. Such increase was mainly attributable to (i) the listing expenses of approximately HK\$1,795,000 incurred in relation to the legal or financial advisory services in relation to the preparation of Listing for the four months ended 31 July 2016; and (ii) the increase in legal and professional fees of approximately HK\$1,344,000 primarily in relation to the advisory fee paid to the professional parties.

### **Finance costs**

Our finance costs increased by approximately HK\$388,000 or approximately 56.9% from approximately HK\$682,000 for the four months ended 31 July 2015 to approximately HK\$1,070,000 for the four months ended 31 July 2016. Such increase was mainly attributable to the increase in interest on bank borrowings as a result of the increase of balance of our borrowing to approximately HK\$36,000,000 as at 31 March 2016.

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### **Income tax expense**

Our income tax expense decreased by approximately HK\$728,000 or 18.2% from approximately HK\$4,010,000 for the four months ended 31 July 2015 to approximately HK\$3,282,000 for the four months ended 31 July 2016. Such decrease was primarily attributable to the decrease in our profit before tax from approximately HK\$24,035,000 to HK\$21,321,000 for the period under comparison. Our effective tax rate decreased and below the statutory tax rate mainly due to the utilisation of tax losses previously not recognised.

### **Profit for the year**

As a result of the foregoing, our profit for the period under comparison decreased by approximately HK\$2,256,000 or approximately 11.1% from approximately HK\$20,295,000 for the four months ended 31 July 2015 to approximately HK\$18,039,000 for the four months ended 31 July 2016.

Our net profit margin also decreased from approximately 14.0% to approximately 11.8% for the period under comparison. The decrease in our profit and net profit margin for the period under comparison was mainly attributable to the decrease in gross profit and the increase in administrative and other operating expenses during the period while partially offset by the increase in the other income, other gains and losses as discussed above.

### **Year ended 31 March 2016 compared with year ended 31 March 2015**

#### **Revenue**

Our revenue increased by approximately HK\$194,283,000, or 67.5%, from approximately HK\$287,660,000 for the year ended 31 March 2015 to approximately HK\$481,943,000 for the year ended 31 March 2016. Such increase was mainly attributable to nine contracts with an aggregate contract sum of approximately HK\$596,534,000 of which we commenced our work in the late year ended 31 March 2015 or during the year ended 31 March 2016. For those nine contracts, we have recognised approximately HK\$150,417,000 during the year ended 31 March 2016.

#### **Direct costs**

Our direct costs increased by approximately HK\$158,067,000 or 68.2% from approximately HK\$231,644,000 for the year ended 31 March 2015 to approximately HK\$389,711,000 for the year ended 31 March 2016. Such increase was mainly attributable to the commencement of several new projects during the year ended 31 March 2016 and thus we incurred a higher level of related expenses for the performance of our services.

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### **Gross profit and gross profit margin**

Our gross profit increased by approximately HK\$36,216,000 or 64.7%, from approximately HK\$56,016,000 for the year ended 31 March 2015 to approximately HK\$92,232,000 for the year ended 31 March 2016. The gross profit increased in line with the increase in our revenue. Our gross profit margin was stable at approximately 19.5% and 19.1% for the year ended 31 March 2015 and 2016 respectively.

### **Other income, other gains and losses**

Our other income, other gains and losses decreased by approximately HK\$5,775,000, or approximately 53.5% from approximately HK\$10,801,000 for the year ended 31 March 2015 to approximately HK\$5,026,000 for the year ended 31 March 2016. Such decrease was mainly due to (i) the decrease in other income from sale of scrap materials of approximately HK\$5,105,000, which were mainly metal formwork materials, whose volume vary according to project progress and needs; and (ii) the fair value loss of the outstanding interest rate swap contract relating to the floating-to-fixed interest rate swap for an underlying floating rate bank loan of approximately HK\$681,000 for the year ended 31 March 2016.

### **Administration and other operating expenses**

Our administrative and other operating expenses increased by approximately HK\$7,504,000 or approximately 29.3% from approximately HK\$25,622,000 for the year ended 31 March 2015 to approximately HK\$33,126,000 for the year ended 31 March 2016. Such increase was mainly due to (i) the listing expenses incurred of approximately HK\$3,970,000 for the preparation of Listing for the year ended 31 March 2016; and (ii) the increase in the travelling expenses of approximately HK\$1,740,000 for year ended 31 March 2016.

### **Finance costs**

Our finance costs increased by approximately HK\$1,026,000 or 92.6% from approximately HK\$1,108,000 for the year ended 31 March 2015 to approximately HK\$2,134,000 for the year ended 31 March 2016. Such increase was mainly due to the increase in average outstanding balance of our borrowings during the year ended 31 March 2016.

### **Income tax expense**

Our income tax expense increased by approximately HK\$6,390,000 or 109.9% from approximately HK\$5,817,000 for the year ended 31 March 2015 to approximately HK\$12,207,000 for the year ended 31 March 2016. The increase primarily reflected the increase in our profit before tax from approximately HK\$40,087,000 for the year ended 31 March 2015 to approximately HK\$61,998,000 for the year ended 31 March 2016. Effective tax rate increased and exceeded statutory rate primarily because the listing expenses were not deductible.

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### **Profit for the year**

As a result of the foregoing, our profit for the year increased by approximately HK\$15,521,000 or 45.3% from approximately HK\$34,270,000 for the year ended 31 March 2015 to approximately HK\$49,791,000 for the year ended 31 March 2016.

Our net profit margin also slightly decreased from 12.0% for the year ended 31 March 2015 to 10.3% for the year ended 31 March 2016. The decrease of net profit margin for the year was primarily attributable to the increase in the administration and other operating expenses as discussed above.

### **Year ended 31 March 2015 compared with year ended 31 March 2014**

#### **Revenue**

Our revenue decreased by approximately HK\$30,627,000, or 9.6%, from approximately HK\$318,287,000 for the year ended 31 March 2014 to approximately HK\$287,660,000 for the year ended 31 March 2015. Such decrease was mainly attributable to the substantial completion of a project with a contract sum of approximately HK\$107,921,000 during the year ended 31 March 2015. We only recognised revenue of approximately HK\$21,626,000 for the year ended 31 March 2015 while we recognised revenue of approximately HK\$116,204,000 for the year ended 31 March 2014.

#### **Direct costs**

Our direct costs decreased by approximately HK\$25,942,000 or 10.1% from approximately HK\$257,586,000 for the year ended 31 March 2014 to approximately HK\$231,644,000 for the year ended 31 March 2015. Such decrease was mainly attributable to that we have completed four projects and substantial completion of a project during the year ended 31 March 2015 and thus we incurred less amount of direct costs for the year ended 31 March 2015.

#### **Gross profit and gross profit margin**

Our gross profit decreased by approximately HK\$4,685,000 or 7.7%, from approximately HK\$60,701,000 for the year ended 31 March 2014 to approximately HK\$56,016,000 for the year ended 31 March 2015. The gross profit increased in line with the decrease in our revenue. Our gross profit margin was stable at approximately 19.1% and 19.5% for the year ended 31 March 2014 and 2015 respectively.

#### **Other income, other gains and loss**

Our other income, other gains and loss increased by approximately HK\$5,441,000 or 101.5% from approximately HK\$5,360,000 for the year ended 31 March 2014 to approximately HK\$10,801,000 for the year ended 31 March 2015. Such increase was mainly due to (i) the increase in other income from sale of scrap materials of approximately HK\$3,443,000 for the year ended 31 March 2015, mainly from the sale of used metal

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formwork components; and (ii) the increase in sundry income of approximately of HK\$1,944,000 for the year ended 31 March 2015 was mainly attributable to the subsidy resulting from our participation in recognised construction manpower training programme.

### **Administration and other operating expenses**

Our administrative and other operating expenses increased by approximately HK\$8,225,000 or 47.3% from approximately HK\$17,397,000 for the year ended 31 March 2014 to approximately HK\$25,622,000 for the year ended 31 March 2015. Such increase was mainly due to the increase in the staff costs of approximately HK\$6,745,000 for year ended 31 March 2015 because of the salary increment and the increase in average number of staff in year 2015.

### **Finance costs**

Our finance costs decreased by approximately HK\$437,000 or 28.3% from approximately HK\$1,545,000 for the year ended 31 March 2014 to approximately HK\$1,108,000 for the year ended 31 March 2015 as our average borrowing balance was higher during the year ended 31 March 2014, as compared to that of 2015.

### **Income tax expense**

Our income tax expense decreased by approximately HK\$2,136,000 or 26.9% from approximately HK\$7,953,000 for the year ended 31 March 2014 to approximately HK\$5,817,000 for the year ended 31 March 2015. The decrease primarily reflected the decrease in our profit before tax from approximately HK\$47,119,000 for the year ended 31 March 2014 to approximately HK\$40,087,000 for the year ended 31 March 2015. Our effective tax rate for the years ended 31 March 2014 and 31 March 2015 were approximately 16.9% and 14.5% respectively.

### **Profit for the year**

As a result of the foregoing, our profit for the year decreased by approximately HK\$4,896,000 or 12.5% from approximately HK\$39,166,000 for the year ended 31 March 2014 to approximately HK\$34,270,000 for the year ended 31 March 2015.

Our net profit margin also slightly decreased from 12.3% for the year ended 31 March 2014 to 12.0% for the year ended 31 March 2015. The decrease in our profit and net profit margin for the year was primarily attributable to the decrease in revenue and gross profit during the year while partially offset by the increase in the other income, other gain and loss as discussed above.



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### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

#### Financial resources

Our primary use of cash is to fund our operations and repayment of borrowings and related interest expenses. We have financed our operations mainly by cash generated from our operations and external borrowings. After the Listing, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the net proceeds of the Share Offer.

#### Cash flow of our Group

The following table is a condensed summary of our consolidated statements of cash flows as of the dates indicated:

	<b>For the year ended 31 March</b>			<b>For the four months ended</b>	
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 July</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Net cash generated from/ (used in) operating activities	46,159	(24,703)	(15,853)	5,008	30,425
Net cash used in investing activities	(2,439)	(1,512)	(592)	(192)	(1,982)
Net cash (used in)/generated from financing activities	(6,135)	5,676	20,078	13,891	(5,736)
Net increase/(decrease) in cash and cash equivalents	37,585	(20,539)	3,633	18,707	22,707
Cash and cash equivalents at the beginning of the year/period	364	37,949	17,410	17,410	21,043
Cash and cash equivalents at the end of the year/period	<u>37,949</u>	<u>17,410</u>	<u>21,043</u>	<u>36,117</u>	<u>43,750</u>

#### *Net cash generated from/(used in) operating activities*

We derive our cash flow from operating activities principally from providing formwork erection as well as related ancillary services. Our working capital requirements typically arise from materials purchases and settlement of our staff costs and subcontracting fees. During the Track Record Period, our net cash flow from operating activities reflects profit before taxation adjusted for income tax, finance costs, non-cash items such as depreciation, gain on disposal of property, plant and equipment, amortisation of premium and other expenses charged on life insurance policy, loss arising on change in fair value of derivative financial instruments, interest income of deposits and prepayments for life insurance policy and change in working capital.

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For the four months ended 31 July 2016, net cash generated from operating activities of approximately HK\$30,425,000 was a combined result of operating cash inflow before movements in working capital of approximately HK\$23,053,000, net increase in working capital changes of approximately HK\$9,806,000, interest expense of approximately HK\$940,000 and Hong Kong Profits Tax paid of HK\$1,494,000. Net increase in working capital changes primarily reflected (i) the increase in trade and other receivables of approximately HK\$12,186,000 mainly attributable to increase in our trade receivables, (ii) the increase in amounts due from customers for contract work of approximately HK\$31,517,000, (iii) the decrease in amount due from a director of approximately HK\$10,219,000, and (iv) the decrease in amounts due from related parties of approximately HK\$40,192,000.

For the year ended 31 March 2016, net cash used in operating activities of approximately HK\$15,853,000 was a combined result of operating cash inflow before movements in working capital of HK\$66,457,000, net decrease in working capital changes of HK\$72,724,000, interest paid of approximately HK\$2,134,000 and Hong Kong Profits Tax paid of HK\$7,452,000. Net decrease in working capital changes primarily reflected (i) an increase in trade and other receivables of HK\$20,410,000 mainly attributable to the increase in our trade receivable, for the commencement of several new projects, (ii) an increase in amount due from director of HK\$43,466,000 attributable to fund advanced to Mr. Joseph Wang, (iii) an increase in amounts due from related parties of HK\$29,028,000, mainly from GT Material, (iv) an increase in amounts due to customers for contract work of HK\$16,935,000 as a result of the increase in our size of project undertaken.

For the year ended 31 March 2015, net cash used in operating activities of approximately HK\$24,703,000 was a combined result of operating cash inflow before movements in working capital of HK\$43,149,000, net decrease in working capital changes of HK\$60,320,000, interest paid of approximately HK\$1,108,000 and Hong Kong Profits Tax paid of HK\$6,424,000. Net decrease in working capital changes primarily reflected (i) an increase in amounts due from customers for contract work of approximately HK\$21,599,000 attributable to the increase in our size of project undertaken, (ii) an increase in amount due from director of HK\$28,070,000 attributable to fund advanced to Mr. Joseph Wang, (iii) a decrease in amounts due to customers for contract work of HK\$17,023,000.

For the year ended 31 March 2014, net cash generated from operating activities of approximately HK\$46,159,000 was a combined result of operating cash inflow before movements in working capital of HK\$52,204,000, net decrease in working capital changes of HK\$3,399,000, interest paid of approximately HK\$1,545,000 and Hong Kong Profits Tax paid of HK\$1,101,000. Net decrease in working capital changes primarily reflected (i) a decrease in trade and other receivables of HK\$20,336,000, (ii) an increase in amount due from director of HK\$23,333,000 attributable to fund advanced to Mr. Joseph Wang, (iii) an increase in amounts due from related parties of HK\$16,771,000 attributable to the for the fund advance, (iv) an increase in amounts due to customers for contract work of HK\$22,999,000.

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### *Net cash used in investing activities*

Our investing activities principally consisted of proceeds from disposal of property, plant and equipment, and payment for the purchase of property, plant and equipment.

For the four months ended 31 July 2016, net cash used in investing activities of approximately HK\$1,982,000 was primarily attributable to purchase, of property, plant and equipment, which was mainly a motor vehicle.

For the year ended 31 March 2016, net cash used in investing activities of HK\$592,000 primarily attributable to purchase, in aggregate of HK\$624,000, for property, plant and equipment, mainly for furniture and fixture.

For the year ended 31 March 2015, net cash used in investing activities of HK\$1,512,000 primarily attributable to purchase, in aggregate of HK\$1,662,000, for property, plant and equipment, mainly for motor vehicle.

For the year ended 31 March 2014, net cash used in investing activities of HK\$2,439,000 primarily attributable to purchase, in aggregate of HK\$2,439,000, for property, plant and equipment, mainly for furniture and fixtures and the leasehold improvement for the offices premises.

### *Net cash (used in)/generated from financing activities*

Our cash inflow from financing activities was principally from proceeds from borrowings from the financial institutions, our cash outflow used in financing activities was principally for the repayment of borrowings from the financial institutions and the repayment of the obligation under finance leases.

For the four months ended 31 July 2016, we had net cash used in financing activities of approximately HK\$5,736,000, which comprised primarily the net repayment of borrowings of approximately HK\$5,500,000 and the repayment of obligations under finance leases of approximately HK\$236,000.

For the year ended 31 March 2016, we had net cash generated from financing activities of approximately HK\$20,078,000, which comprised primarily the net increase of approximately HK\$23,858,000 in proceeds from new bank borrowings offsetting repayment of bank borrowing. These cash inflows were partially offset by repayment of obligations under finance leases of approximately HK\$840,000.

For the year ended 31 March 2015, we had net cash generated from financing activities of approximately HK\$5,676,000, which comprised primarily the net increase of approximately HK\$6,738,000 in proceeds from new bank borrowings offsetting repayment of bank borrowing. These cash inflows were partially offset by repayment of obligations under finance leases of approximately HK\$1,062,000.

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For the year ended 31 March 2014, we had net cash used in financing activities of approximately HK\$6,135,000, which comprised primarily net decrease of approximately HK\$5,740,000 in proceed from new bank borrowings offsetting repayment of bank borrowing and the repayment of obligations under finance leases of approximately HK\$395,000.

### Net current assets

The following table sets forth a breakdown of our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 March			As at 31 July	As at 30 November
	2014	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
<b>Current assets</b>					
Trade and other receivables	42,343	41,842	62,252	74,438	125,710
Amounts due from customers for contract work	5,318	26,917	28,632	60,149	59,769
Amount due from a director	23,333	51,403	94,869	84,650	85,031
Amounts due from related parties	20,127	17,152	46,180	5,988	6,525
Bank balances and cash	<u>37,949</u>	<u>17,410</u>	<u>21,043</u>	<u>43,750</u>	<u>26,512</u>
	<u>129,070</u>	<u>154,724</u>	<u>252,976</u>	<u>268,975</u>	<u>303,547</u>
<b>Current liabilities</b>					
Trade and other payables	48,362	48,911	57,384	66,421	66,653
Derivative financial instruments	–	–	200	182	182
Amounts due to customers for contract work	22,999	5,976	22,911	17,103	33,866
Amounts due to related parties	7,785	10,132	6,619	6,618	6,618
Borrowings	10,904	17,642	41,500	36,000	31,594
Obligation under finance leases	376	781	572	514	533
Current tax liabilities	<u>6,848</u>	<u>6,241</u>	<u>10,996</u>	<u>12,784</u>	<u>16,532</u>
	<u>97,274</u>	<u>89,683</u>	<u>140,182</u>	<u>139,622</u>	<u>155,978</u>
<b>Net current assets</b>	<u><u>31,796</u></u>	<u><u>65,041</u></u>	<u><u>112,794</u></u>	<u><u>129,353</u></u>	<u><u>147,569</u></u>

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Attributable to the profit generated for the period, our net current assets position increased from approximately HK\$31,796,000 as at 31 March 2014 to approximately HK\$65,041,000 as at 31 March 2015. Such increase was mainly due to (i) the increase in amounts due from customers for contract work of approximately HK\$21,599,000; (ii) the increase in amount due from a director, Mr. Joseph Wang, of approximately HK\$28,070,000; and (iii) the decrease in amounts due to customers for contract work of approximately HK\$17,023,000.

Attributable to the profit generated for the period, our net current assets positions increased from approximately HK\$65,041,000 as at 31 March 2015 to approximately HK\$112,794,000 as at 31 March 2016. Such increase was mainly due to (i) the increase in trade and other receivables of approximately HK\$20,410,000; (ii) the increase in the amount due from a director, Mr. Joseph Wang, of approximately HK\$43,466,000; (iii) the increase in amount due from related parties of approximately HK\$29,028,000; partially offset by (iv) increase in amounts due to customers for contract work of approximately HK\$16,935,000; and (v) the increase in borrowings of approximately HK\$23,858,000.

Our net current assets position increased from approximately HK\$112,794,000 as at 31 March 2016 to approximately HK\$129,353,000 as at 31 July 2016. Except for some of our profit generated which was used for capital expenditures leading to the increase in property, plant and equipment of approximately HK\$1,245,000, the increase in the net current assets is approximately the same as our profit for the period and primarily reflected by (i) the increase in trade and other receivables of approximately HK\$12,186,000, (ii) the increase in amounts due from customers for contract work of approximately HK\$31,517,000, (iii) increase in bank balance and cash of approximately HK\$22,707,000, and partially offset by (iv) the decrease in amounts due from related parties of approximately HK\$40,192,000.

Our net current assets position further increased to approximately HK\$147,569,000 as at 30 November 2016. Such increase was approximately the same as our profit for the period and primarily reflected by (i) the increase in trade and other receivables of approximately HK\$51,272,000; and partially offset by (ii) the decrease in bank balance and cash of approximately HK\$17,238,000; and (iii) the increase in amounts due to customers for contract work of approximately HK\$16,763,000.

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### DISCUSSION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Trade and other receivables

Our trade and other receivables comprise (i) trade receivables; (ii) retention receivables; and (iii) prepayments, deposits and other receivables. The following table sets forth the details of our trade and other receivables as at the dates indicated:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Trade receivables	26,095	20,785	32,931	43,834
Retention receivables	14,169	16,643	24,227	25,004
Deposits, prepayments and other receivables	2,079	4,414	5,094	5,600
	<u>42,343</u>	<u>41,842</u>	<u>62,252</u>	<u>74,438</u>

#### *Trade receivables*

During the Track Record Period, our trade receivables primarily represented amounts receivable from our customers for our provision of our services. Our Group's business is project-based of which our trade receivables are subject to the progress and number of the projects as of the reporting date.

As our business is project-based, our trade receivables were mainly affected by the actual works progress of our ongoing projects, the amount certified by the relevant customers and the amount settled by the relevant customers as at the respective reporting dates.

Our trade receivables decreased by approximately HK\$5,310,000 from approximately HK\$26,095,000 as at 31 March 2014 to approximately HK\$20,785,000 as at 31 March 2015, which was mainly attributable to the substantial completion of one project during the year ended 31 March 2015 and all of the trade receivables was settled as at 31 March 2015.

Our trade receivables increased by approximately HK\$12,146,000 from approximately HK\$20,785,000 as at 31 March 2015 to approximately HK\$32,931,000 as at 31 March 2016. Such increase was mainly attributable to the commencement of nine new projects during the late of year ended 31 March 2015 and the year ended 31 March 2016.

Our trade receivables increased to approximately HK\$43,834,000 as at 31 July 2016 as one of our major projects was in the early stage of commencement which required longer time for the settlement of the trade receivables from our customers.

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### *Ageing analysis of trade receivables*

We generally offer a credit period of 7 to 56 days to our customers. The following table sets forth the ageing analysis of our trade receivables based on the date of progress certificates issued by customers as at the end of the periods indicated:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
0-30 days	21,368	16,677	24,044	22,753
31-60 days	3,994	4,108	8,104	11,545
61-90 days	–	–	509	9,536
91-180 days	–	–	–	–
Over 180 days	733	–	274	–
	<u>26,095</u>	<u>20,785</u>	<u>32,931</u>	<u>43,834</u>

To a certain extent, our trade receivables (including retention monies receivables) were concentrated to our largest debtor and the five largest debtors as illustrated in the table below for the respective dates indicated:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
Largest debtor	16,799	12,233	14,550	15,492
Five largest debtors	38,196	34,337	48,775	56,496

We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by accounting and finance department and quantity surveyors.

In determining the recoverability of trade receivables, our Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. Our management closely reviews the trade receivables balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. No provision for bad debt was made during the Track Record Period.

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The following table sets forth the ageing analysis of trade receivables that are past due but not impaired:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue by:				
1-30 days	12,344	4,108	9,755	19,645
31-60 days	225	–	1,191	3,867
61-90 days	–	–	–	–
91-180 days	–	–	–	–
Over 180 days	733	–	274	–
	<u>13,302</u>	<u>4,108</u>	<u>11,220</u>	<u>23,512</u>

Receivables that were past due but not impaired relate to a number of independent customers that have good track records with our Group. Our management believes that no impairment allowance is necessary in respect of these balances as there have not been any significant change in credit risk and the balances are still considered fully recoverable. Our Group does not hold any collateral over those balances.

### *Trade receivables turnover days*

The following table sets out the turnover of our average trade receivables for the periods presented:

	For the year ended 31 March			For the four months ended 31 July
	2014	2015	2016	2016
	Trade receivables turnover days	26 days	30 days	21 days

Average trade receivables turnover days is calculated based on average trade receivables divided by the revenue for the relevant year or period multiplied by number of days in the relevant year or period. Average trade receivable is calculated as the sum of the beginning balance and ending balance for the relevant period, divided by two.

Our trade receivables turnover days were approximately 26 days, 30 days, 21 days and 31 days for the year ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us. As our business operates on a non-recurring and project-by-project basis, and the



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progress of our formwork erection works contracts at a given time thereby affecting our trade receivables balances as at the respective year ends and thus the trade receivables turnover days during the Track Record Period.

As at Latest Practicable Date, all of our trade receivables outstanding as at 31 July 2016 had been subsequently settled.

### Retention receivables

Retention receivables represent the retention monies required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which is in general at approximately 2.5% to 10% of the value of works certified in each progress payment. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defects liability period or a pre-agreed time period.

Our retention receivables increased from approximately HK\$14,169,000 as at 31 March 2014 to approximately HK\$16,643,000 as at 31 March 2015. It was mainly due to increasing amount of works completed that are pending for the release of retention money.

Our retention receivables increased from approximately HK\$16,643,000 as at 31 March 2015 to approximately HK\$24,227,000 as at 31 March 2016 and further to approximately HK\$25,004,000 as at 31 July 2016. It was mainly due to further completion of works and the long time required for agreeing final accounts.

The following table sets forth the ageing analysis of retention receivables:

	<b>As at 31 March</b>			<b>As at 31 July</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	–	1,516	1,113
Over one year	14,169	16,643	22,711	23,891
	<u>14,169</u>	<u>16,643</u>	<u>24,227</u>	<u>25,004</u>

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### *Retention receivables turnover day*

The following table sets out the turnover of our average retention receivables for the periods presented:

	<b>For the year ended 31 March</b>			<b>For the four months ended 31 July</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
Retention receivables turnover days	213 days	391 days	311 days	395 days

Average retention receivables turnover days is calculated based on average retention receivables divided by 5% of the revenue being the general limit of the retention money for the relevant year or period multiplied by number of days in the relevant year or period. Average retention receivable is calculated as the sum of the beginning balance and ending balance for the relevant period divided by two.

Our retention receivables turnover days were 213 days, 391 days, 311 days and 395 days for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, respectively. The increase in retention receivables turnover days for the year ended 31 March 2015 was attributable to both the increase in retention receivables and drop in revenue. Although retention receivables increased from 31 March 2015 to 31 March 2016, the significant increase in revenue for the year ended 31 March 2016 far more offset the impact of increase in retention receivables in the same year.

For the four months ended 31 July 2016, annualised revenue was less than our total revenue for the year ended 31 March 2016, together with the slight increase in retention receivables, turnover days for the period increased again. Unlike trade receivables which are normally settled according to the credit period we grant to our customers, retention receivables are settled in a less systematic manner and usually released some time after completion of a project.

As at the Latest Practicable Date, approximately HK\$1,089,000 or 4.4% of our retention receivables outstanding as at 31 July 2016 have been subsequently settled.

### **Prepayment, deposits and other receivables**

Our prepayment, deposits and other receivables comprised of prepaid expense for our operations and materials, rental and utility deposits, and advance to our staff. As at 31 July 2016, our prepayments also included prepayment for listing expenses.

Our prepayment, deposits and other receivables remained stable at approximately HK\$2,079,000 as at 31 March 2014 and approximately HK\$4,414,000 as at 31 March 2015. Our prepayment, deposits and other receivables then increased to approximately

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HK\$5,094,000 as at 31 March 2016, and further increased to approximately HK\$5,600,000 as at 31 July 2016, which is mainly attributable to the prepayment of the listing expenses in relation to the Listing and the prepayment for the material in relation the purchase of material.

### **Amount due from/to customers for contract work**

Our Group recognises the value of works performed as revenue based on the percentage of completion. The percentage of completion is determined using methods that could reliably measure the works performed, for instance, with reference to surveys of works performed.

Amounts due from customers of contract work represent construction contracts in progress at the end of a reporting period and are recorded at the net amount of contract costs incurred plus recognised profit less recognised losses less progress billings. Such statement of financial position item typically comprises (i), in respect of construction works, completed projects or on-going works projects close to the end of each reporting period, for which the payment certificates have yet to be received by us from our customers; and (ii) the differences between the costs incurred and the costs recognised in profit or loss with reference to the stage of completion of the projects at the end of each reporting period.

Amounts due to customers of contract work represent excess of progress billings over contract costs incurred plus recognised profits less any recognised loss.

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The following table sets out the details of the amounts due from/to customers of contract works as at the end year of the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
<b>Contracts in progress at the end of each of the reporting period:</b>				
Contract costs incurred plus recognised profits less recognised losses	418,065	736,982	1,139,714	1,154,186
Less: Progress billings	<u>(435,746)</u>	<u>(716,041)</u>	<u>(1,133,993)</u>	<u>(1,111,140)</u>
	<u>(17,681)</u>	<u>20,941</u>	<u>5,721</u>	<u>43,046</u>
<b>Analysed for reporting purposes as:</b>				
Amounts due from customers for contract work	5,318	26,917	28,632	60,149
Amounts due to customers for contract work	<u>(22,999)</u>	<u>(5,976)</u>	<u>(22,911)</u>	<u>(17,103)</u>
	<u>(17,681)</u>	<u>20,941</u>	<u>5,721</u>	<u>43,046</u>

The gross amounts due from/to customers for contract work are normally affected by (i) the amount of works handled by us at the time close to the end of each reporting period by reference to the construction costs incurred for and the budgeted costs of the projects; and (ii) the timing of issuing written payment approval by our customers for the project progress recorded by us, which can vary significantly from period to period. The general increasing trend of the amounts due from customers for contract work during the Track Record Period was positively correlated with the increase in size of projects undertaken by us.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, amounts due from customers for contract work included a balance of approximately nil, HK\$4,551,000, HK\$4,185,000 and HK\$10,098,000 not yet certified by customers, respectively, relating to projects which we recognised revenue for the works done as confirmed by the next progress certification that takes place subsequent to the reporting-period end is allocated between the two financial periods based on the amount of works performed as recorded in the daily work sheets prepared by our staff for the relevant period.

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### Amount due from a director

The following table sets forth the details of the amount due from a director as at the year end date or end of the reporting period during the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Mr. Joseph Wang	<u>23,333</u>	<u>51,403</u>	<u>94,869</u>	<u>84,650</u>

The amount due from a director is non-trade in nature, unsecured, interest-free and recoverable on demand. The net amount withdrawn by Mr. Joseph Wang was for his and his family use from time to time. The balance of the amount due from a director will be settled prior to Listing by setting off the dividend declared by our Company on 17 January 2017.

### Amount due from/to related parties

The following table sets forth the details of the amount due from related parties as at the end of each financial year or reporting period during the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
<b>Amounts due from related parties:</b>				
First Land	5,438	1,952	1,752	1,582
GT Scaffolding	6	–	–	–
GT Material	7,606	9,151	39,909	–
Ho San	1,375	–	113	–
Kingsly Limited	4,285	4,346	4,406	4,406
Right Choice	<u>1,417</u>	<u>1,703</u>	<u>–</u>	<u>–</u>
	<u>20,127</u>	<u>17,152</u>	<u>46,180</u>	<u>5,988</u>
<b>Amounts due to related parties:</b>				
Ming Tai (Macau) Construction Engineering Limited	4,258	4,258	4,258	4,258
King On Construction Engineering Co. Limited	1,039	1,027	776	776
Kingly Investments Limited	2,488	1,958	1,585	1,584
GT Scaffolding	–	1,504	–	–
Ho San	<u>–</u>	<u>1,385</u>	<u>–</u>	<u>–</u>
	<u>7,785</u>	<u>10,132</u>	<u>6,619</u>	<u>6,618</u>

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Among the amounts due from related parties during the Track Record Period, amount due from GT Material increased from approximately HK\$7,606,000 as at 31 March 2014 to HK\$9,151,000 as at 31 March 2015, and further to HK\$39,909,000 as at 31 March 2016. The amount was advanced to GT Material as Mr. Joseph Wang wanted to assist his sister, Ms. Ann Wang, to expand GT Group's business, having considered Ms. Ann Wang being his close family member and business relationship with GT Group and our Group to be good.

The amounts due from/to related parties are non-trade in nature, unsecured, interest-free and recoverable/repayable on demand. The balance of the amounts due from and due to related parties will be settled prior to Listing by transferring to Wang K M, the Controlling Shareholder, and setting off the net amount against the dividend declared by our Company on 17 January 2017.

### Trade and other payables

Our trade and other payables comprises (i) trade and bills payables; (ii) other payables and accruals; and (iii) deposits received. The following tables sets forth the details of our trade and other payables during the Track Record Period:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	2,778	5,982	6,718	9,627
Bills payables	<u>10,990</u>	<u>9,060</u>	<u>13,197</u>	<u>16,247</u>
	13,768	15,042	19,915	25,874
Other payables and accruals	30,217	29,032	28,866	35,495
Deposits received	<u>4,377</u>	<u>4,837</u>	<u>8,603</u>	<u>5,052</u>
	<u><u>48,362</u></u>	<u><u>48,911</u></u>	<u><u>57,384</u></u>	<u><u>66,421</u></u>

### *Trade and bills payables*

Trade and bills payables were mainly incurred for the purchase of materials from our suppliers and subcontracting charges. We generally receive credit terms of 7 to 60 days from our suppliers and subcontractors.

As our business is project-based and not recurrent in nature, our direct costs during the Track Record Period fluctuated subject to the size and the progress of our construction works and as such our trade payables balance and creditors' turnover days as at a reporting date or during a reporting period may be affected.

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Our trade and bills payables remained relatively stable at approximately HK\$13,768,000 as at 31 March 2014 and approximately HK\$15,042,000 as at 31 March 2015. Our trade and bills payables then further increase to approximately HK\$19,915,000 as at 31 March 2016 and approximately HK\$25,874,000 as at 31 July 2016 as we commenced several new projects which increased our credit purchase during the corresponding period and was in line with the growing trend of the size of our contract sum.

As at Latest Practicable Date, all of our trade and bills payables outstanding at 31 July 2016 had been subsequently settled.

The following table sets forth the ageing analysis of our trade payables as at the dates indicated:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	1,887	2,960	4,227	4,875
31-60 days	727	1,715	1,686	4,400
61-90 days	68	1,116	805	352
91-180 days	76	47	–	–
Over 180 days	20	144	–	–
	<u>2,778</u>	<u>5,982</u>	<u>6,718</u>	<u>9,627</u>

The following table sets forth the turnover days of trade payables for the periods indicated:

	<b>For the year ended</b>			<b>For the</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>four months</b>
				<b>ended</b>
				<b>31 July</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
Trade and bills payables turnover days	<u>19 days</u>	<u>23 days</u>	<u>17 days</u>	<u>23 days</u>

Average trade and bills payables turnover days are calculated based on the average trade and bills payables divided by the direct costs for the relevant year or period multiplied by number of days in the relevant year or period. Average trade and bills payables are calculated as the sum of the beginning balance and ending balance for the relevant period, divided by two.

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For keeping good business relationship with our suppliers and subcontractors, we settled their invoices on time and as we have pre-determined dates for settlement in each month, calculated payables turnover days may thus be easily influenced by the amount of trade and bills payables as at the end of reporting periods. Having said that, the results above indicate the payables turnover days are in the range of the granted credit period.

### *Other payables and accruals*

Our other payables and accruals mainly consisted of the (i) accrued costs for our formwork erection projects; (ii) accrued expenses in relating to salaries and wages of our staff; and (iii) accrued expenses for our daily administrative operation. As at 31 March 2014, 2015 and 2016 and 31 July 2016, our other payables and accruals remained relatively stable at approximately HK\$30,217,000, HK\$29,032,000, HK\$28,866,000, respectively. Our other payables and accruals then further increased to approximately HK\$35,495,000 as a result of increasing accrued salaries for our labour, representing increasing labour in contractworks.

### *Deposits received*

Our deposits received represented the advance from our customers for the purchase of construction material on its behalf. Our deposits received remained relatively stable at approximately HK\$4,377,000 as at 31 March 2014 and approximately HK\$4,837,000 as at 31 March 2015, and further increased to approximately HK\$8,603,000 as at 31 March 2016. Our deposits received decreased to approximately HK\$5,052,000 as at 31 July 2016 due to the settlement for the purchase of construction material on the customers' behalf.

### **Derivative financial instruments**

During the year ended 31 March 2016, we entered into an interest rate swap contract with a licensed bank in Hong Kong which provided loans to our Group to manage our borrowing interest rate exposure by locking the interest rate that would be charged by the bank in respect of the loans at a specific level, irrespective of fluctuation in interest rate. As at 31 March 2016 and 31 July 2016, the fair value of the interest rate swap contract was amounted to approximately HK\$472,000 and HK\$402,000, respectively, and the notional principal of derivative financial instruments outstanding as at 31 March 2016 and 31 July 2016 was approximately HK\$10,000,000 and HK\$9,200,000, respectively. The interest rate swap contract matures in May 2020. The interest rate swap contract that we entered into was not qualified as hedging instruments in hedge relationships as defined by HKAS 39. Therefore, gains or losses on fair value for the interest rate swap contract were recognised in our statement of profit or loss. Our Group does not have a treasury management policy on derivative financial instruments and our Directors intend not to enter into any derivative financial instruments contracts following the expiry of the existing interest rate swap contract on hand.

### **Property, plant and equipment**

Property, plant and equipment comprise (i) metal column, timber and scaffolds; (ii) plant and machinery; (iii) leasehold improvements; (iv) office equipment; (v) furniture and fixtures; and (vi) motor vehicles. As at 31 March 2014, 2015 and 2016 and 31 July 2016,



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the net book amount of our property, plant and equipment amounted to approximately HK\$2,661,000, HK\$4,400,000, HK\$3,796,000 and HK\$5,041,000, respectively. The increases from 31 March 2014 to 31 March 2015 were mainly attributable to purchases of motor vehicles. The decreases from 31 March 2015 to 31 March 2016 were mainly attributable to the depreciation of the property, plant and equipment during the period. The increase from 31 March 2016 to 31 July 2016 were mainly due to the purchases of motor vehicle for the period. For details of our purchases and disposal of property, plant and equipment during the Track Record Period, please refer to note 13 to the Accountants' Report in Appendix I to the prospectus.

### **Deposits for life insurance policies**

We entered into a life insurance policy with an insurance company to insure Mr. Joseph Wang. Under the policy, Ming Tai Construction is the beneficiary and policy holder and the total insured sum is US\$ 1,033,000 being the face amount. Ming Tai Construction is required to pay upfront deposits of approximately US\$500,000. Ming Tai Construction can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US\$500,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ming Tai Construction a minimum guaranteed interest of 3% per annum for the insured period.

At 31 March 2014, 2015 and 2016 and 31 July 2016, the carrying amount of the deposits and prepayments for life insurance policy amounted to approximately HK\$3,703,000, HK\$3,710,000, HK\$3,717,000 and HK\$3,722,000, respectively. The deposits for life insurance policies are denominated in US\$.

## **RELATED PARTY TRANSACTIONS AND BALANCES**

### **Related party transactions**

Set out in note 29 to the financial information in the Accountants' Report and the following were our related party transactions during the Track Record Period. Our Directors confirm that all such transactions were conducted on an arm's length basis and on normal commercial terms. The Sponsor concurs with our Directors by reviewing market rates with reference to comparable items charged by Independent Third Parties.

#### **(I) GT Material**

##### *Purchase of construction materials and scaffolding equipment rental*

We purchased timber and rented metal scaffold and related equipment from GT Material, a company wholly-owned by Ms. Ann Wang, the sister of Mr. Joseph Wang. For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July

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2016, our purchases from and rental payable to GT Material amounted to approximately nil, HK\$35,000, HK\$4,941,000 and HK\$4,429,000, respectively, representing nil%, 0.1%, 4.6% and 14.3% of our total purchases for the period.

In 2014, we started our business relationship with GT Scaffolding. Since then, we have rented metal scaffolds and related equipment from GT Scaffolding instead of GT Material.

Following the Listing, we intend to continue the purchases of construction materials from GT Material. Since GT Material is a connected person of our Company pursuant to Chapter 14A of the Listing Rules, the purchases from GT Material constitutes non-exempt continuing connected transactions of our Company. Please refer to the section headed “Connected Transactions” of this prospectus for details.

### *Scrap sales of materials*

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, we also sold scrap materials to GT Material amounted to approximately nil, HK\$4,240,000, HK\$274,000 and nil, respectively. We sold scrap materials to GT Material as it is part of business of GT Material for reuse or recycling of scrap materials.

### *Transportation and plant hiring charge*

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, we also hired vehicles and equipment from GT Material for the performance of our works. The transportation and plant hiring charge we incurred amounted to approximately HK\$10,703,000, HK\$1,357,000, HK\$1,150,000 and HK\$219,000, respectively.

## **(II) GT Scaffolding**

### *Scaffolding & equipment rental paid*

Since 2014, we rented metal scaffolds and related equipment from GT Scaffolding, a company wholly-owned by Ms. Ann Wang, the sister of Mr. Joseph Wang. For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our rental payable to GT Scaffolding amounted to approximately nil, HK\$8,042,000, HK\$13,057,000 and HK\$3,643,000, respectively, representing nil, 12.5%, 12.2% and 11.8% of our total purchases for the period.

Following the Listing, we intend to continue the rental of metal scaffolds and related equipment from GT Scaffolding. Since GT Scaffolding is a connected person of our Company pursuant to Chapter 14A of the Listing Rules, the rental from GT Scaffolding constitutes non-exempt continuing connected transactions of our Company. Please refer to the section headed “Connected Transactions” of this prospectus for details.

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### *Transportation and plant hiring charge*

During the Track Record Period, for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, we also hired vehicles and equipment from GT Scaffolding for the performance of our works. The transportation and plant hiring charge we incurred amounted to approximately nil, HK\$1,548,000, HK\$900,000 and HK\$603,000, respectively.

### **(III) Ho San**

#### *Purchase of construction materials*

We purchased metal formwork materials from Ho San, a company Mr. Joseph Wang owned as to 90% during the Track Record Period. For the years ended 31 March 2014, 2015 and 2016, our purchases from Ho San amounted to approximately HK\$11,652,000, HK\$15,656,000 and HK\$20,249,000, respectively, representing 13.7%, 24.4% and 18.9% of our total purchases for the period.

Mr. Joseph Wang sold his entire shareholding in Ho San to an independent third party on 4 February 2016. Accordingly, Ho San will not be a connected person of our Company under the Listing Rules upon Listing.

#### *Subcontracting income*

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, Ho San subcontracted certain of our works to us, primarily involve in installing a sound barrier. Our subcontracting income from Ho San amounted to approximately HK\$2,229,000, nil, nil and nil, respectively.

### **(IV) Right Choice**

We subcontracted certain of our works to Right Choice, a subcontractor primarily engaged in system formwork assembling works. Right Choice is owned as to 51% by Mr. Joseph Wang, our executive Director and Controlling Shareholder, and 49% by two independent individuals. On 13 January 2017, Right Choice was deregistered.

Subcontracting fee charged by Right Choice to our Group amounted to approximately HK\$12,997,000, HK\$16,101,000, HK\$5,578,000 and nil for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. Such related party transaction has discontinued upon the completion of Right Choice's deregistration.

### **Balances with related parties**

Please refer to note 18 to the financial information in the Accountants' Report for details of balances with related parties.

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Set out in note 29 to the Accountants' Report also includes a corporate guarantee provided by Ming Tai Construction in favour of a related party for banking facilities. Such corporate guarantee will be released upon Listing.

Our Directors are of the view that these transactions were conducted on an arm's length basis with normal commercial terms. Our Directors are further of the view that these transactions would not distort our results of operation during the Track Record Period or make our historical results during the Track Record Period not reflective of our expectations of our future performance, taking into account: (i) GT Material and GT Scaffolding are not our Group's sole supplier for the products or services we obtained from the GT Group and our Group purchased similar materials and rented metal scaffolds from independent third parties during the Track Record Period at similar rates and at comparable terms and conditions; (ii) Ho San confirms that it sold its products to our Group at prices comparable with those offered to independent third parties and that our Group was not its only customer during the Track Record Period; (iii) Right Choice is not the sole subcontractor of our Group and subcontracting fees of Right Choice was agreed on an arm's length basis whereby our Directors confirm that the arrangement with Right Choice was in line with our Group's practice with other independent subcontractors and market norm; (iv) our Group had other independent subcontractors and direct labour to perform the works subcontracted to Right Choice at comparable fees during the Track Record Period; and (v) the other shareholders of Right Choice, which are independent third parties, owned another company which our Group subcontracted works to in later period of the Track Record Period and such subcontractor offered similar rate as Right Choice offered to us. Our Directors confirm that all other personal guarantees provided for our Group will be released or replaced by corporate guarantees or guaranteed by surety bonds and all amounts due to/from related parties will be settled before Listing.

### **Reasons for the related party transactions**

Metal scaffolds and timber materials were essential supplies for our Group's falsework design for the erection of formwork and building of timber formwork. We rented metal scaffolds and purchased timber materials from GT Scaffolding and GT Material as a way to diversify our source of suppliers and reduce our reliance on any single supplier. As a formwork works subcontractor, our Group did not intend to divert our resources in or expose to the risk of sourcing the right timber ourselves or maintaining a large volume of inventory of metal scaffolds by our Group. To the best knowledge of our Directors, (i) each of GT Scaffolding and GT Material has its customer base other than our Group; and (ii) each of GT Scaffolding and GT Material has its own and separate management team for carrying on its business, including the sourcing of materials, management of scaffold stocks and sales and marketing. According to information provided by GT Scaffolding, our Group's purchase from GT Scaffolding accounted for 53.8% and 31.7% of its revenue for the financial years ended 31 December 2014 and 2015, respectively. According to information provided by GT Material, our Group's purchase from GT Material accounted for 4.4%, 18.5% and 11.6% for the financial years ended 30 June 2013, 2014 and 2015, respectively.

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## FINANCIAL INFORMATION

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Ho San is a supplier of metal formwork components to our Group and has business relationship with us since its incorporation in 2011. Our Group considers that Ho San's formwork components have the satisfactory quality, are delivered in timely manner and can be tailor-made according to our Group's specifications. To the best knowledge of our Directors, Ho San has its own and separate management team for carrying on its business.

### INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at 31 March 2014, 2015 and 2016, 31 July 2016 and 30 November 2016, being the latest practicable date for the purpose of this indebtedness in this prospectus.

	As at 31 March			As at 31 July	As at 30 November
	2014	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Amounts due to related parties	7,785	10,132	6,619	6,618	6,618
Borrowings	10,904	17,642	41,500	36,000	31,594
Obligations under finance leases	<u>376</u>	<u>1,502</u>	<u>1,326</u>	<u>1,090</u>	<u>918</u>
	<u>19,065</u>	<u>29,276</u>	<u>49,445</u>	<u>43,708</u>	<u>39,130</u>

### Borrowings

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 July	As at 30 November
	2014	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Bank loans – secured	<u>10,904</u>	<u>17,642</u>	<u>41,500</u>	<u>36,000</u>	<u>31,594</u>
<b>Represented by:</b>					
Current portion	<u>10,904</u>	<u>17,642</u>	<u>41,500</u>	<u>36,000</u>	<u>31,594</u>

As at 30 November 2016, we had unutilised banking facilities of approximately HK\$10,365,000 available for drawdown.

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During the Track Record Period, bank borrowings increased in line with our growth in business scale, in order to provide working capital and to finance the acquisition of our property, plant and equipment.

All of our bank borrowings were denominated in Hong Kong dollars and the effective interest rates as at 31 March 2014, 2015 and 2016, 31 July 2016 and 30 November 2016 were 6.3%, 6.7%, 6.7%, 7.2% and 7.0%, respectively for bank borrowings.

As at 30 November 2016, our borrowings were secured by the leasehold properties owned by our related companies, letter of guarantee executed by our related company, investments in life insurance, and personal or corporate guarantees executed by Mr. Joseph Wang, the close family member of Mr. Joseph Wang, The Hong Kong Mortgage Corporation Limited and our related company. Please see note 22 to the Accountants' Report in Appendix I to this prospectus for details of these securities. All personal or corporate guarantees executed and charges over assets owned by Mr. Joseph Wang, the close family member of Mr. Joseph Wang, The Hong Kong Mortgage Corporation Limited and our related company will be released upon the Listing.

Our bank borrowings contain certain standard covenants that are commonly found in lending arrangements with commercial banks. Our Directors have confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our banking borrowings during the Track Record Period and up to the Latest Practicable Date.

All our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year with payment schedule stipulated in the table above. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule; and (ii) the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, according to Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Interpretation 5), these bank borrowings were classified as current liabilities in our consolidated financial statements.

Save as the indebtedness as disclosed above, we currently do not have an external financing plan.

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### Obligations under finance leases

During the Track Record Period, we acquired certain motor vehicles by way of finance lease arrangements mainly through bank and finance lease companies. The following table sets out our obligations under finance leases repayable as at the respective date indicated.

	<b>As at 31 March</b>			<b>As at</b>	<b>As at 30</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 July</b>	<b>November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2016</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Within one year	376	781	572	514	533
After one year but within two years	–	449	401	268	134
After two years but within five years	–	272	353	308	251
	<u>376</u>	<u>1,502</u>	<u>1,326</u>	<u>1,090</u>	<u>918</u>

All of our finance leases were denominated in Hong Kong dollars and the effective interest rates as at 31 March 2014, 2015 and 2016, 31 July 2016 and 30 November 2016 were 5.6%, 3.5%, 3.8%, 3.8% and 3.8%, respectively. As at 30 November 2016, these leases have remaining lease terms ranging from one to four years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The obligations under finance leases were secured by the personal guarantee provided by Mr. Joseph Wang and his close family member. The personal guarantees given by Mr. Joseph Wang and his close family member will be released upon Listing.

### Contingent liabilities

As at 30 November 2016, we had outstanding performance bonds in favour of a customer in respect of one of our formwork projects given by the bank amounting to HK\$12,000,000. Save as disclosed for the outstanding performance bonds above, as at the close of business on the Latest Practicable Date, we did not have any material contingent liabilities.

Save as disclosed herein and apart from intra-group liabilities, we did not have, at the close of business on 30 November 2016, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 30 November 2016 up to the date of this prospectus.

### OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

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### COMMITMENTS

#### Capital commitments

Our capital commitment primarily related to acquisition of motor vehicles contracted for but not delivered as at the end of each reporting period. These commitment would be financed by our internal resources. The following table sets forth the total amounts of our capital commitments as at the dates indicated:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Contracted but not provided for:				
Property, plant and equipment	<u>–</u>	<u>–</u>	<u>1,813</u>	<u>–</u>

#### Operating lease commitment

We lease certain office premises under non-cancellable operating lease arrangement for a term of 1 to 2 years. The following table sets forth our commitments for future minimum lease payments as at the date indicated:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Within one year	–	111	1,320	1,172
In the second to fifth years inclusive	<u>–</u>	<u>–</u>	<u>987</u>	<u>597</u>
	<u>–</u>	<u>111</u>	<u>2,307</u>	<u>1,769</u>

### CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the period indicated:

	As at 31 March			As at
	2014	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
<b>Capital expenditures</b>				
Property, plant and equipment	<u>2,439</u>	<u>3,850</u>	<u>1,288</u>	<u>1,919</u>



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Our capital expenditures during the Track Record Period principally consisted of expenditures on acquisitions of property, plant and equipment. During the Track Record Period, we incurred capital expenditures of approximately HK\$2,439,000, HK\$3,850,000, HK\$1,288,000 and HK\$1,919,000, respectively, primarily used for purchase of motor vehicle as well as furniture and fixture.

### SUMMARY OF KEY FINANCIAL RATIOS

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

	As at/For			
	the four			months ended
	As at/for the year ended 31 March			31 July
	2014	2015	2016	2016
Current ratio <sup>(1)</sup>	1.3	1.7	1.8	1.9
Quick ratio <sup>(2)</sup>	1.3	1.7	1.8	1.9
Gearing ratio <sup>(3)</sup>	50.0%	40.4%	41.5%	31.8%
Debt to equity ratio <sup>(4)(8)</sup>	N/A	16.4%	23.8%	N/A
Return on equity <sup>(5)</sup>	102.6%	47.3%	41.7%	39.4% <sup>(9)</sup>
Return on total assets <sup>(6)</sup>	28.9%	21.0%	19.1%	19.5% <sup>(9)</sup>
Interest coverage <sup>(7)</sup>	31.5 times	37.2 times	30.1 times	20.9 times

*Notes:*

- (1) Current ratio is calculated as total current assets divided by total current liabilities.
- (2) Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
- (3) Gearing ratio is calculated as total debt (summation of amount due to related parties, borrowings and obligation under finance leases) divided by total equity and multiplied by 100%.
- (4) Debt to equity ratio is calculated as total debt (summation of amount due to related parties, borrowings and obligation under finance leases) less cash and cash equivalents divided by total equity and multiplied by 100%.
- (5) Return on equity equals annualised profit for the year/period divided by total equity of the relevant year/period and multiplied by 100%.
- (6) Return on total assets equals annualised profit for the year/period divided by total assets of the relevant year/period and multiplied by 100%.
- (7) Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.
- (8) The figure as at 31 March 2014 and 31 July 2016 represents that we were in a net cash position.
- (9) These figures have been annualised to be comparable to prior years for reference only, but are not indicative of the actual results.

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### **Current ratio and quick ratio**

Our current ratio was 1.3, 1.7, 1.8 and 1.9 as of 31 March 2014, 2015 and 2016 and 31 July 2016, respectively. Our quick ratio was 1.3, 1.7, 1.8 and 1.9 as of 31 March 2014, 2015 and 2016 and 31 July 2016, respectively. Attributable to the profit generated during the Track Record Period, the increase in both the current ratio and the quick ratio reflected the improvement in our net current assets position during the Track Record Period.

### **Gearing ratio**

Our gearing ratio was 50.0%, 40.4%, 41.5% and 31.8% as of 31 March 2014, 2015 and 2016 and 31 July 2016, respectively. The decrease in the gearing ratio during the Track Record Period was mainly because, while our total debts increased, we also recorded significant increase in our equity by approximately 89.8% in the year ended 31 March 2015, by approximately 64.7% in the year ended 31 March 2016 and by approximately 15.1% in the four months ended 31 July 2016 as a result of the profits generated in our operation.

### **Debt to equity ratio**

No debt to equity ratio was calculated as at 31 March 2014 and 31 July 2016 since our cash and cash equivalents were larger than our total debts as at 31 March 2014 and 31 July 2016. Our debt to equity ratio as at 31 March 2015 and 2016 increased slightly from 16.4% to 23.8%, mainly attributable to the increase in level of bank borrowings, while partially offset by the increase in equity as a result of the profits generated in our operation.

### **Return on equity**

For the years ended 31 March 2014, 2015 and 2016, our return on equity was approximately 102.6%, 47.3% and 41.7%, respectively. The decrease in our return on equity throughout the Track Record Period was mainly attributable to the increase in the total equity resulting from the increase in our retained profit due to the profit generated throughout the Track Record Period.

### **Return on total assets**

Our return on total assets decreased from approximately 28.9% for the year ended 31 March 2014 to approximately 21.0% for the year ended 31 March 2015. Such decrease was mainly attributable to the increase in our total assets of approximately 20.2%.

Our return on total assets decreased from approximately 21.0% for the year ended 31 March 2015 to approximately 19.1% for the year ended 31 March 2016. Such increase was mainly attributable to the increase in our profit generated for the year 2016 of approximately 45.3% and partially offset by the increase in our total assets of approximately 60.0% for the year 2016.

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### **Interest coverage**

Our interest coverage increased from approximately 31.5 times for the year ended 31 March 2014 to approximately 37.2 times for the year ended 31 March 2015. Such increase was mainly attributable to the decrease of finance cost for the year ended 31 March 2015.

Our interest coverage decreased from approximately 37.2 times for the year ended 31 March 2015 to approximately 30.1 times for the year ended 31 March 2016. Such decrease was mainly attributable to the increase of finance cost for the year ended 31 March 2016 as a result of the increase in the average balance of our borrowings during the year ended 31 March 2016.

Our interest coverage decreased from approximately 30.1 times for the year ended 31 March 2016 to approximately 20.9 times for the four months ended 31 July 2016. Such decrease was mainly due to the fact that our monthly average finance costs incurred for the four months ended 31 July 2016 was higher than the monthly average finance costs incurred for the year ended 31 March 2016.

### **WORKING CAPITAL**

Our Directors confirm that, taking into consideration the financial resources presently available to us and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

We are, in the ordinary course of our business, exposed to a variety of financial risks, include market risk (including currency risk and interest risk), equity price risk, credit risk and liquidity risk. We monitor and manage such financial risks through internal risks reports which analyse exposure by degree and magnitude of risk.

Please also see Note 32 to the Accountants' Report included as Appendix I to this prospectus for further details regarding our financial risks.

#### *Foreign currency risk*

During the Track Record Period, the majority of the our transactions and balances as at and for the Track Record Period were denominated in Hong Kong dollars. Our Directors consider that the currency risk is not significant and we currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### *Interest rate risk*

Our exposure to cash flow interest rate risk in relation to variable-rate bank borrowing. In relation to the variable-rate borrowings, we aims at keeping certain proportion of its borrowings at fixed rates. In order to limit its exposure to interest rate fluctuation, variable

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to fixed interest rate swaps have been utilised from time to time when appropriate, to fix a portion of interest costs over a period of time. We continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate in Hong Kong dollars (“HIBOR”), the banks’ Prime rate (“Prime Rate”) and the banks’ Standard Bills rate (“Standard Bills Rate”) arising from our bank borrowings.

Our Director consider our exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and the interest rates of bank deposits are not expected to change significantly.

Please also see Note 32 to the Accountants’ Report included as Appendix I to this prospectus for further details regarding our interest rate sensitivity analysis.

### *Price risk*

As we have no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, we are not exposed to significant equity price risk.

### *Credit risk*

At the end of each of the Track Record Period, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, we monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to the risks relating to individual customers. As at 31 March 2014, 2015 and 2016 and 31 July 2016, the amount of trade and other receivables from the five largest debtors represented 90.2%, 82.1%, 78.4% and 75.9% of the total trade and other receivables, respectively, while 39.7%, 29.2%, 23.4% and 20.8% of the total trade and other receivables was due from the largest single debtor, respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, we do not have any other significant concentration of credit risk.

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### *Liquidity risk*

Our liquidity risk is primarily attributable to the risk that we may not be able to meet our financial obligations as they fall due. To ensure that we will always have sufficient liquidity to meet our liabilities when they fall due, our policy is to monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our short and long term liquidity requirements. In particular, our Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on internally generated funding and borrowings as significant sources of liquidity.

### **DIVIDENDS**

During the Track Record Period, our Group members declared and paid dividends of approximately HK\$2,950,000 to the then shareholders during the year ended 31 March 2016. On 17 January 2017, our Company declared a dividend in an amount of HK\$128 million of which approximately HK\$115.2 million was set off against the net amounts due from related parties and approximately HK\$12.8 million was paid by cash to the Shareholders. Our Directors consider that there has not been any material adverse impact on our Group's financial and liquidity position arising out of the dividend payment as our Group continues to maintain net current assets and net assets positions after such payment.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the Listing. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up on the Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### **LISTING EXPENSES**

Our estimated listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming the Offer Price of HK\$0.6 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$30,185,000. The Vendor will bear the listing expenses of approximately HK\$8,452,000 relating to the sale of the Sale Shares and the listing expenses to be borne by us are expected to be approximately HK\$21,733,000. Of such amount to be borne by us, approximately HK\$8,618,000 is directly attributable to the issue of new Shares and is expected to be accounted for as a deduction from equity upon

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Listing. The remaining amount of approximately HK\$13,115,000, which cannot be so deducted, will be charged to profit or loss. Of the approximately HK\$13,115,000 that will be charged to profit or loss, approximately nil, nil, HK\$3,970,000 and HK\$1,795,000 have been charged for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively, and approximately HK\$7,350,000 is expected to be incurred for the eight months ending 31 March 2017. Expenses in relation to the Listing are non-recurring in nature. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

### **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

Please refer to Section C of the Accountants' Report in Appendix I to this prospectus for events of our Group which took place subsequent to 31 July 2016.

### **RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE**

Subsequent to Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking formwork erection works in Hong Kong. As at the Latest Practicable Date, we had 15 projects on hand (including contracts in progress as well as contracts that awarded to us but not yet commenced). Please refer to the section headed "Business – Our projects – Projects on hand" in this prospectus.

Total outstanding contract sum (including estimated value of agreed variations in writing subsequent to the initial contract) amounted to approximately HK\$728,836,000 as at 31 July 2016, approximately HK\$365,996,000 and HK\$362,840,000 of which are expected to be recognised as revenue for the years ending 31 March 2017 and 2018, based only on our contracts on hand and the construction programme as at 31 July 2016. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects.

As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been secured with five additional contracts with aggregate tender value of approximately HK\$317,270,000, of which project works have commenced. As at Latest Practicable Date, based on our unaudited management accounts, the total outstanding contract sum (including estimated value of agreed variations in writing subsequent to the initial contract) amounted to approximately HK\$833,512,000, approximately HK\$158,534,000, HK\$536,847,000 and HK\$138,131,000 of which are expected to be recognised as revenue for the years ending 31 March 2017 and 2018 and six months ending 30 September 2018, respectively, based only on our contracts on hand and the construction programme as at the Latest Practicable Date. On 17 January 2017, our Company declared a dividend in an amount of HK\$128 million.

Our Directors consider that our Group is well-positioned to take on new formwork erection projects and believe that the expected increase in demand for the building construction projects for the public sector would favour the growth of our Group and the demand of our services.

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### DISTRIBUTABLE RESERVES

As at 31 July 2016, our Company had no distributable reserves available for distribution to its equity holders.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net assets attributable to owners of our Company as at 31 July 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted described below:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2016 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2016 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Note 3)</i> <i>HK\$</i>
Based on an Offer Price of HK\$0.53 per Share	<u>137,320</u>	<u>99,192</u>	<u>236,512</u>	<u>0.197</u>
Based on an Offer Price of HK\$0.67 per Share	<u>137,320</u>	<u>128,071</u>	<u>265,391</u>	<u>0.221</u>

*Notes:*

- 1 The audited consolidated net tangible assets attributable to owners of our Company as at 31 July 2016 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company of approximately HK\$137,320,000.
- 2 The estimated net proceeds from the Share Offer are based on 216,000,000 new Shares offered under the Share Offer and the Offer Price of HK\$0.53 and HK\$0.67 per Share, respectively, after deduction of the underwriting commission and other related expenses (excluding listing expenses of approximately HK\$5,765,000 which have been accounted for prior to 31 July 2016) payable by our Company.
- 3 The unaudited pro forma consolidated net tangible assets per Share are arrived at after the adjustments referred to in Note 2 above and on the basis that 1,200,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed as set out in the section headed "Share Capital" in this prospectus on 31 July 2016.
- 4 The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 July 2016). In particular, on 17 January 2017, an interim dividend of HK\$128 million was declared to the then shareholders of our Company. The unaudited pro forma adjusted consolidated net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividend of HK\$128 million appropriated in January 2017 been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share

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would be HK\$0.090 and HK\$0.114, assuming the Offer Price of HK\$0.53 and HK\$0.67 per Share, respectively on the basis that 1,200,000,000 Shares were in issue and that the interim dividend appropriated in January 2017, the Share Offer and the Capitalisation Issue had been completed on 31 July 2016.

### **DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES**

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Stock Exchange.

### **MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 July 2016, the end of period reported in the Accountants' Report set out in Appendix I to this prospectus, and there has been no event since 31 July 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.



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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see the section headed “Business – Our corporate strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.6, being the mid-point of the Offer Price range, of approximately HK\$107.9 million as follows:

- approximately HK\$30.0 million or approximately 27.8% of the net proceeds will be used for an existing formwork works project (the “**Project**”), which is a building construction project, located in Yau Tsim Mong District with an initial contract sum of HK\$386.2 million (please refer to the section headed “Business – Our projects – Projects on hand” in this prospectus for further details) for funding the initial costs to be incurred in the early stage of the project. As at the Latest Practicable Date, based on our unaudited management accounts, the outstanding contract sum (including estimated value of variations agreed in writing subsequent to the initial contract sum) was approximately HK\$401,812,000 and completed as to 18.3% by reference to the stage of completion of the contract. Our Directors would propose the use of system formwork in the Project because building construction projects often involve repetitive structures in multi-storey buildings. The advantages of system formwork are discussed in the section headed “Business – Our Business Operations – Formwork design and erection” in this prospectus. As compared to timber formwork, the initial cost for system formwork is high because the material cost for metal is higher than timber and the fact that full set of components have to be fabricated before the erection of system formwork whilst timber materials can be delivered on site in batches. It is also common for our projects to incur expenses for our labour and subcontractors before substantial value of work is certified by our customer. Our Directors expect that the proceeds will be applied for the remaining period in the financial year ending 31 March 2017, and approximately (i) HK\$10 million will be applied to the purchase of metal formwork and timber materials; and (ii) HK\$20 million will be applied to the settlement of direct labour and subcontracting fees to alleviate intensive working capital requirement. Our Group intends to utilise net proceeds from the Share Offer for the Project, being an existing project, immediately after the Listing and we will apply internal resources to fulfill the initial working capital requirement for new projects to be awarded. Effectively, our Group’s capacity will be increased as new capital is entering, which allows our Group to undertake more new projects concurrently. Our Group estimates that the initial working capital requirements for the Project will be approximately HK\$44 million, including approximately 30% of the total budgeted formwork material costs and two months’ budgeted direct labour costs and wages of subcontractors, which will be engaged by the end of the year ending 31 March 2017. After the Track Record Period and up to the Latest Practicable Date, our Group has been awarded five contracts with total tendered amount of approximately HK\$317,270,000 and as at

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## FUTURE PLANS AND USE OF PROCEEDS

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the Latest Practicable Date, we have submitted 77 tenders that are still pending results from customers, which we normally do not have control as to the timing of the release of tender award results;

- approximately HK\$45.0 million or approximately 41.7% of the net proceeds will be used for the acquisition of office premises of around 4,000 sq. ft. in about 12 months following the Listing. Total capital expenditure for the premises is estimated to be approximately HK\$42 million which we intend to finance using the net proceeds from the Share Offer. We further expect renovation and other necessary costs to be incurred to be approximately HK\$3 million. In order to support the growth of our business, the target premises is ideally located in Kwun Tong, in the vicinity of our headquarters, and warehouse and back office. Considering that our current headquarters is almost fully utilised, our Directors are of the view that we have the business need to acquire new office premises in order to fulfil our current needs, to cater to the increasing labour force, and to accommodate our Group's expansion. Our Directors believe that our new office premises should have a floor area of around 4,000 sq. ft., approximately one-half larger than our current headquarters with a floor area of approximately 2,657 sq.ft.. We aim to gradually relocate our headquarters to the newly acquired office premises prior to the expiry of our existing tenancy in February 2018. Our Directors consider that the purchase of new office premises is commercially justifiable because (i) our Directors consider that it is most appropriate to shore up our fixed assets by acquiring landed property which our Group can enjoy capital appreciation and asset diversification; (ii) the new office premises will provide extra office space that enables our Group to cater to the expansion of our management and administration team and provide room for the expansion of our business operations, which is commensurate with our past and future business strategies; and (iii) our enhanced fixed assets base would facilitate our negotiation with banks for financing as we could pledge our property for loans of larger loan amount or lower interest rate. Further, when assessing the option of acquiring new office premises, although for the long term in history, the CAGR of private offices rentals indices was less than the CAGR of composite consumer price indices throughout 1981 to 2015 as published by the Government, being 3.7% and 4.3%, respectively, we have taken into account, among others, (i) the estimated annual depreciation expense of the newly acquired office premises, being HK\$900,000, which will be lower than the existing rentals of our current headquarters on a per square foot basis, assuming that it is to be purchased at a total cost of HK\$45 million and to be depreciated over 50 years on a straight-line method, for reference, if our existing leased headquarters were expanded to 4,000 sq.ft. large, based on the rental per square foot derived from the existing lease, the annual rental would then become approximately HK\$1,248,000; (ii) the savings of administrative costs that would incur in negotiating lease terms for the renewal of existing rental agreement or relocating to and renovating a newly leased office premises if the tenancy agreement were not to be renewed, for reference, the estimated administrative, relocating and renovation costs of moving in our headquarters in 2016 were approximately HK\$748,000, and approximately HK\$475,000 was also locked up for rental and management fee deposits; (iii) the expansion of the current headquarters may not be feasible as office space next to our headquarters may not be vacant or available for lease; (iv) our management resources and attention that would have been consumed for renewals of tenancy in respect of our headquarters; and (v) the fact that our Group's expansion plan will

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## FUTURE PLANS AND USE OF PROCEEDS

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not then be restricted by any lease terms of our headquarters and our strategic decisions could be implemented more efficiently. As at the Latest Practicable Date, we have not yet identified any target premises for acquisition;

- approximately HK\$11.0 million or approximately 10.2% of the net proceeds will be used for the investment in the new information system which will be used for streamlining management process, enhancing our operational efficiency, cost management and quality of services. The above is intended to be fulfilled by implementing an enterprise resources planning system which is planned to be implemented across our organisation by phases and involve both hardware and software upgrade. Firstly, our Directors plan to upgrade the existing accounting system to enhance documentation and manual procedures. Secondly, our human resources management system is targeted for optimisation, which aims at consolidating and automating attendance, payrolls and pension contribution. Finally, the implementation of the enterprise resources planning system aims at analysing work flows and providing useful feedbacks for tender assessment and evaluation. As such, we expect to recruit two experienced personnel responsible for the planning and implementation of the above-mentioned information system upgrade. We plan to implement this within 12 months following the Listing;
  
- approximately HK\$11.4 million or approximately 10.6% of the net proceeds will be used to repay part of our outstanding bank borrowings and finance leases, thereby reducing our finance costs and improving the financial position of our Group. Specifically,
  - (i) approximately HK\$10.1 million will be used to early repay the bank loan drawn in May 2015, net proceeds of which were used for general working capital, bearing interest at 2% per annum over 1-month HIBOR and an effective interest rate of 2.2% per annum and is repayable on a monthly basis over the loan term of 60 months up to May 2020;
  
  - (ii) approximately HK\$0.7 million will be used to early prepay the finance lease incurred since April 2014 which will mature in 43 months from the date of occurrence bearing interest at a fixed rate of 1.8% per annum and an effective interest rate of 4.4% per annum, which was incurred to fund our purchase of motor vehicle;
  
  - (iii) approximately HK\$0.3 million will be used to early prepay the finance lease incurred since March 2016 which will mature in 60 months from the date of occurrence bearing interest at a fixed rate of 2.5% per annum and an effective interest rate of 4.9% per annum, which was incurred to fund our purchase of motor vehicle; and
  
  - (iv) approximately HK\$0.3 million will be used to early prepay the finance lease incurred since March 2016 which will mature in 60 months from the date of occurrence bearing interest at a fixed rate of 2.5% per annum and an effective interest rate of 4.9% per annum, which was incurred to fund our purchase of motor vehicle; and
  
- approximately HK\$10.5 million or approximately 9.7% of the net proceeds will be used as general working capital of our Group.

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## FUTURE PLANS AND USE OF PROCEEDS

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In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK\$14.4 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$14.4 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

In each of the above scenarios, we will not receive any of the proceeds from the sale of the Sale Shares by the Vendor in the Share Offer. We estimate that the net proceeds to the Vendor from the Sale Shares (after deduction of proportional underwriting commission and estimated expenses payable by the Vendor in relation to the Share Offer, and assuming an Offer Price of HK\$0.6, being the mid-point of the Offer Price range) will be approximately HK\$41.9 million.

### **Reasons for the Listing**

As at 30 November 2016, according to unaudited management accounts of our Group, amount due from Mr. Joseph Wang to our Group was approximately HK\$85,031,000. In order to settle the amount due from Mr. Joseph Wang, on 17 January 2017, our Company declared a dividend of HK\$128 million of which HK\$115.2 million and HK\$12.8 million will be paid to Wang K M (wholly-owned by Mr. Joseph Wang) and the other Shareholders, respectively. After offsetting the amount due from Mr. Joseph Wang and the net amount due from related parties and paying the balance of dividend in cash, our bank balances and cash will be reduced by approximately HK\$12.8 million to approximately HK\$13,712,000 based on our unaudited management accounts as at 30 November 2016. Given the low bank balances and cash position, our Company will need to raise fund through the Share Offer to facilitate the implementation of our future plans as discussed above in this section.

Our Directors consider that the Listing will benefit our Group in different levels, both internal and external as discussed below:

- (i) *Accelerate the implementation of our corporate strategies*

Our Group is operating in a capital intensive – both labour and capital – environment, that we have spent considerable efforts in managing our financial and human resources. Although amount due from Mr. Joseph Wang to our Group amounted to approximately HK\$85,031,000 as at 30 November 2016, the amount was set off by

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## FUTURE PLANS AND USE OF PROCEEDS

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the dividend declared by our Company on 17 January 2017 as Mr. Joseph Wang is also a Controlling Shareholder. Most of the net proceeds from the Share Offer are expected to dedicate to the implementation of our corporate strategies. The Listing grants our Group access to larger investor base and additional fund-raising avenue where we can promptly raise new capital from time to time, and accelerates us to achieve our business objective.

*(ii) Promote our corporate profile and reputation*

Being a publicly traded company, the flow of information is established towards different stakeholders, including Shareholders, customers, suppliers, subcontractors, and our employees. The Listing status and the public disclosure of our information will enable these parties to know ourselves better and hence is an effective way to promote our corporate profile and enhance our Group's reputation. In addition, our Directors are of the view that the Listing will facilitate us to entice new customers, as their confidence will be attached to our proven track record, transparent financial disclosure, standard of internal controls and corporate governance. In this regard, by staying as a listed company, our Directors see the duties and are held liable to maintain a highest standard of ongoing regulatory compliance, which is also an opportunity for us to strive for continuous improvement and supervision, sharpen our competitiveness and ultimately, gain our customers' trust in us.

*(iii) Enhance our staff morale and loyalty*

We believe a status of the Listing will be respected by our staff and job applicants. Our Directors consider that in choosing between a listed or private company, the Listing will offer extra job security and financial confidence. As we are operating in an industry with labour shortage problem, improving work morale of our staff is considered as one of our essential tasks to do. Our Group has been actively investing and managing our labour capital, and the Listing is considered to be our Group's and our staff's common goal.

*(iv) Facilitate capital structure's optimisation*

In choosing between debt financing and equity financing, our Directors have taken into account that (i) the nature of construction industry, especially the formwork works industry in which our Group operates, where upfront cash outflow is often incurred in the early phase of our project. The early cash outflow is also expected to be in place quickly after our customer has engaged us, which would mean equity financing is a more appropriate source since funds raised from the issue of equity are a committed source of fund and does not entail a maturity date; (ii) debt financing from banks or financial institutions normally require the pledge of properties or other significant assets, which our Group lacks or does not require for our operation; (iii) the increasing speculation that the interest rate in Hong Kong is set to rise and the use of debt financing in a material amount and the subsequent renewal of the debt would subject our Group to higher interest rate risk and increasing finance costs; and (iv) debt financing and equity financing are not mutually exclusive, but our Group is expected to have better position to negotiate with banks and financial institutions if we are a listed

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## **FUTURE PLANS AND USE OF PROCEEDS**

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company with enlarged equity and financial capital base. Our Directors seek to optimise our Company's capital structure and take the view that the Listing will give our Group the flexibility in doing so.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Bookrunners and Joint Lead Mangers**

Frontpage Capital Limited  
Huajin Securities (International) Limited  
Pacific Foundation Securities Limited

#### **Co-Managers**

Ample Orient Capital Limited  
HF Securities and Futures Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Public Offer**

##### ***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, we are offering 30,000,000 Public Offer Shares (including 3,000,000 Employee Reserved Shares) (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue); and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### ***Grounds for Termination***

If prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers or any of the Public Offer Underwriters:
  - (i) that any statement contained in any of this prospectus, the Application Forms, the Formal Notice and any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecasts, expressions of opinion, intention or

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## UNDERWRITING

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expectation expressed in this prospectus, the Application Forms, the Formal Notice and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, in each case when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission therefrom; or
  - (iii) any breach of any of the obligations imposed upon any Group Company, any executive Directors, any Controlling Shareholders or the Vendor;
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Public Offer Underwriting Agreement; or
  - (v) any adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any Group Company; or
  - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and/or purchase of the Shares) or the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, accident or interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in or affecting any of Hong Kong, Macau, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
  - (ii) any change or development involving a prospective change or development, or any event or series of events, likely to result in or represents any change or prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or



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## UNDERWRITING

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disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or the PRC, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars against the U.S. dollars) in or affecting any of the Relevant Jurisdictions; or

- (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the Cayman Islands or the BVI, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (iv) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
- (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (vi) a change or development occurs involving a prospective change in taxation or foreign investment regulations (or the implementation of any exchange control) in any of the Relevant Jurisdictions and an investment in the Shares; or
- (vii) any litigation or claim of any third party being threatened or instigated against any Group Company or the Vendor; or
- (viii) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the commencement by any regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action; or
- (x) a contravention by any Group Company or the Vendor of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xi) a prohibition on our Company and the Vendor for whatever reason from allotting or selling the Shares pursuant to the terms of the Share Offer; or

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## UNDERWRITING

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- (xii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription for and/or purchase of the Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or
- (xiii) other than with the approval of the Joint Lead Managers and the Public Offer Underwriters (such approval not to be unreasonably withheld), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for and/or purchase of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules; or
- (xiv) a petition is presented or an order is made for the winding up or liquidation of any Group Company or the Vendor or any Group Company or the Vendor makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or the Vendor or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any Group Company or the Vendor or anything analogous thereto occurs in respect of any material Group Company or the Vendor; or
- (xv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (xvi) any loss or damage sustained by any Group Company or the Vendor,

which, in any such case and in the sole and absolute opinion of the Joint Lead Managers:

- (a) is or may individually or in the aggregate have a material adverse effect on the business, financial, trading position or other condition or prospects of our Group as a whole; or
- (b) is or has or may have a material adverse effect on the success of the Public Offer or the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (c) is or may make it inadvisable or impracticable for Public Offer and/or the Share Offer to proceed or to market the Public Offer and/or the Share Offer in any material respects; or
- (d) is or may have the effect of making any part of the Public Offer Underwriting Agreement incapable of performance in accordance with its terms in any material respects,

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## UNDERWRITING

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then the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may in its sole and absolute discretion, upon giving notice in writing to our Company prior to 8:00 a.m. on the Listing Date, terminate the Public Offer Underwriting Agreement with immediate effect.

### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

#### *(A) Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

#### *(B) Undertakings by our Controlling Shareholders*

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

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

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## UNDERWRITING

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

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

### *Undertakings pursuant to the Public Offer Underwriting Agreement*

#### *(A) Undertakings by our Company*

Our Company have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sponsor, the Joint Lead Managers and the Public Offer Underwriters that our Company will except pursuant to the Capltulislative Issue the Share Offer and the exercise of the options that may be granted under the Share Option Scheme, not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and subject to the provisions of the Listing Rules:

- (a) not at any time from the date of this prospectus up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”):
  - (i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or

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## UNDERWRITING

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ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;

- (ii) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer;
  
- (b) at any time within the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”) do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
  
- (c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

*(B) Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally agreed, represented, warranted and undertaken to the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company that:

- (a) during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Joint Lead Managers or otherwise in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in

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## UNDERWRITING

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paragraphs (i), (ii) or (iii) above, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;

- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the Listing Rules) during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Without prejudice to the above provisions, each of our Controlling Shareholders has jointly and severally undertaken to the Sponsor, the Joint Lead Managers and the Public Offer Underwriters and our Company that within the First Six-Month Period and the Second Six-Month Period, he or it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Joint Lead Managers in writing of such indications.

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## UNDERWRITING

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Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

### *Indemnity*

Our Company and our Controlling Shareholders have agreed to indemnify the Sponsor, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the Public Offer Underwriting Agreement.

### *Public Offer Underwriters' Interests in our Company*

Except for its obligations under the Public Offer Underwriting Agreement, the Public Offer Underwriters has no shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

### **The Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, it is expected that our Company and our Controlling Shareholders (including the Vendor) will enter into the Placing Underwriting Agreement with, among others, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or about 2 February 2017. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers to subscribe for and/or purchase the Placing Shares being offered pursuant to the Placing, or failing which to subscribe for and/or purchase, their respective applicable proportions of such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting Arrangements and Expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

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## UNDERWRITING

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It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commission and expenses and the Sponsor’s fee**

According to the terms and conditions of the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 4.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

Based on an Offer Price of HK\$0.60 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions (exclusive of any discretionary incentive fee (if any)), together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the Share Offer to be borne by our Company and the Vendor are estimated to amount to approximately HK\$30,185,000 and HK\$8,452,000 in aggregate, respectively. An aggregate amount of HK\$5,500,000 is payable by our Company as sponsor fees to the Sponsor for acting as the sponsor in the Share Offer.

### **Voluntary lock-up undertaking by our Controlling Shareholders**

Apart from satisfying the lock-up requirement under Rule 10.07 of the Listing Rules, our Controlling Shareholders have entered into a deed of lock-up undertaking on a voluntary basis in favour of our Company (for itself and for the benefit of each of its subsidiary) on 17 January 2017.

Pursuant to the deed of lock-up undertaking, each of our Controlling Shareholders has undertaken to our Company that, it/he will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is required under Rule 10.07 of the Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company’s independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.



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## UNDERWRITING

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### **SPONSOR'S INDEPENDENCE**

The Sponsor satisfies the independence criteria applicable to sponsor(s) set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Frontpage Capital is the Sponsor of the Share Offer, Frontpage Capital, Huajin Securities (International) Limited and Pacific Foundation Securities Limited are the Joint Bookrunners and the Joint Lead Managers of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 30,000,000 Shares (including 3,000,000 Employee Reserved Shares) (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 270,000,000 Shares (comprising 186,000,000 new Shares offered by our Company and 84,000,000 Sale Shares offered by the Vendor) (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Of the 30,000,000 Offer Shares initially being offered under the Public Offer, 3,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” and “The Placing – Reallocation” below.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PUBLIC OFFER

#### Number of Offer Shares initially offered

Our Company is initially offering 30,000,000 Shares at the Offer Price, representing 10% of the Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation as mentioned below, the number of Offer Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" below.

#### Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (a) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of HK\$5 million or less.
- (b) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### **Reallocation**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Public Offer Shares to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 90,000,000 Offer Shares (in the case of (i)), 120,000,000 Offer Shares (in the case of (ii)) and 150,000,000 Offer Shares (in the case of (iii)) representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be re-allocated to Pool A and Pool B in the Public Offer in such manner as the Joint Lead Managers deems appropriate.

In addition, the Joint Lead Managers may 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 for, the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate.

### **Applications**

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated Placing Shares under the Placing.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The listing of the Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.67 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$2,707.00 for one board lot of 4,000 Shares.

If the Offer Price, as finally determined in the manner described in the paragraph headed “Pricing and Allocation” below, is less than the maximum Offer Price of HK\$0.67 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

### THE EMPLOYEE PREFERENTIAL OFFERING

Of the 30,000,000 Offer Shares initially being offered under the Public Offer, 3,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

The Employee Reserved Shares are being offered out of the Public Offer and are not subject to the clawback mechanism as set out in the paragraph headed “The Public Offer – Reallocation” in this section.

As at the Latest Practicable Date, there were approximately 88 Eligible Employees being eligible to apply for Employee Reserved Shares under the Employee Preferential Offering.

Allocation of the Employee Reserved Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company’s Hong Kong Branch Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Public Offer in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 3,000,000 Employee Reserved Shares will be rejected.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Any Employee Reserved Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Public Offer after the reallocation as described above in the paragraph headed “The Public Offer” in this section.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Public Offer Shares as a member of the public in the Public Offer on a **WHITE** Application Form or **YELLOW** Application Form or giving **electronic application instructions** to HKSCC via CCASS; or
- apply for or indicate an interest for Placing Shares under the Placing,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Public Offer Shares or Placing Shares.

### THE PLACING

#### Number of 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 270,000,000 Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer, without taking into account Offer Shares issuable upon exercise of any options granted under the Share Option Scheme.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company and the Vendor by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to the benefit of our Company and our shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint 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.

### **Reallocation**

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed “The Public Offer – Reallocation” above, the exercise of any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

## **PRICING AND ALLOCATION**

### **Determining the Offer Price**

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 2 February 2017 and in any event on or before Monday, 6 February 2017, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

### **Offer Price range**

The Offer Price will be not more than HK\$0.67 per Offer Share and is expected to be not less than HK\$0.53 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Price payable on application**

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.67 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$2,707.00 for each board lot of 4,000 Shares. If the Offer Price is less than HK\$0.67, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications. See the section “How to Apply for Public Offer Shares and Employee Reserved Shares – 12. Refund of application monies” in this prospectus.

If, for any reason, our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 6 February 2017, the Share Offer will not proceed and will lapse.

### **Reduction in indicative Offer Price range and/or number of Offer Shares**

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) and posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.royal-deluxe.com](http://www.royal-deluxe.com) a notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of the Vendor) will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Lead Managers may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Lead Managers.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares are expected to be announced on Tuesday, 7 February 2017 in The Standard (in English) and Sing Tao Daily (in Chinese) and to be posted on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.royal-deluxe.com](http://www.royal-deluxe.com).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** Application Form, **YELLOW** Application Form and **PINK** Application Form, or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section “How to Apply for Public Offer Shares and Employee Reserved Shares – 10. Publication of results” in this prospectus.

### **UNDERWRITING**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares in issue and to be issued pursuant to the Share Offer on the Main Board;
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

**If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Vendor) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before Monday, 6 February 2017, the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company in *The Standard* (in English) and *Sing Tao Daily* (in Chinese) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.royal-deluxe.com](http://www.royal-deluxe.com) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the subsection headed "How to Apply for Public Offer Shares and Employee Reserved Shares – 13. Dispatch/Collection of Share certificates and refund

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

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monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Wednesday, 8 February 2017, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the subsection headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.

### **ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

### **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 8 February 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 8 February 2017.

The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 3789.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees may also apply for Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Save as an Eligible Employee, 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** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers, may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate or a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the 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; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or an associate or a close associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon the completion of the Share Offer;
- are a natural person of the PRC; or
- are a U.S. person or a person who is within the United States (both terms as defined under the Regulation S).

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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For the Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

### **Where to collect the Application Forms**

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 25 January 2017 until 12:00 noon on Wednesday, 1 February 2017 from:

- (a). any of the following offices of the Joint Lead Managers:

<b>Name</b>	<b>Address</b>
Frontpage Capital Limited	26/F, Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Huajin Securities (International) Limited	Suite 1101, 11/F, Champion Tower 3 Garden Road Central Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower II 16-18 Queen's Road Central Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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(b). any of the following branches of the following receiving bank:

DBS Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shops 1015-1018, 1/F & Shops 2032-2034, 2/F, United Centre, 95 Queensway, Admiralty
	Happy Valley Branch	G/F, 18A-22 King Kwong Street, Happy Valley
Kowloon	Canton Road – DBS Treasures Centre	G/F, Hanley House, 68 Canton Road, Tsimshatsui, Kowloon
	Amoy Plaza Branch	Shops G193-195, Amoy Plaza, 77 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon
New Territories	Ma On Shan Branch	Shop 205-206, Level 2, Ma On Shan Plaza, Ma On Shan
	Kwai Chung Branch	G/F, 1001 Kwai Chung Road, Kwai Chung

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Wednesday, 25 January 2017 until 12:00 noon on Wednesday, 1 February 2017 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees at Unit A, 26th Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Wednesday, 25 January 2017 until 12:00 noon on Friday, 27 January 2017. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the respective websites of our Company at [www.royal-deluxe.com](http://www.royal-deluxe.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited – Royal Deluxe 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:

**Wednesday, 25 January 2017 – 9:00 a.m. to 5:00 p.m.**  
**Thursday, 26 January 2017 – 9:00 a.m. to 5:00 p.m.**  
**Friday, 27 January 2017 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 1 February 2017 – 9:00 a.m. to 12:00 noon**

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited – Royal Deluxe Public Offer**" for the payment, must be returned to Unit A, 26th Floor, Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong by 12:00 noon on Friday, 27 January 2017.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 1 February 2017, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;



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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- (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 Vendor, the Sponsor, 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Vendor, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Vendor, the Sponsor, 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;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Hong Kong branch share register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company (for itself and on behalf of the Vendor) and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying excepted in respect of Employee Reserved Shares applied under the Employee Preferential Offering;
- (xvii) understand that our Company 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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; 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.

### **Terms, conditions and instructions for the PINK Application Form**

You may refer to the **PINK** Application Form for details.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 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 monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

#### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- (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 Placing Shares under the Placing;
  - (if the electronic instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, the Vendor, our Directors 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 if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of our Company, the Vendor, the Sponsor, 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);

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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- agree to disclose your personal data to our Company, the Vendor, the Hong Kong Branch Share Registrar, receiving bank, the Sponsor, 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 a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Wednesday, 25 January 2017</b>	<b>– 9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Thursday, 26 January 2017</b>	<b>– 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Friday, 27 January 2017</b>	<b>– 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Wednesday, 1 February 2017</b>	<b>– 8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 25 January 2017 until 12:00 noon on Wednesday, 1 February 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, 1 February 2017, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section below.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Vendor, the Hong Kong Branch Share Registrar, the receiving bank, 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 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 facility is 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, the Vendor, our Directors, the Sponsor, 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** Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 1 February 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
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

**All** of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, 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.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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“*Statutory control*” means you:

- control the composition of the board of directors of the company; or
- 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).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

### **8. HOW MUCH ARE THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES**

The **WHITE** Application Form, **YELLOW** Application Form and **PINK** Application Form have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 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, 1 February 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, 1 February 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 expect to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 7 February 2017 in The Standard (in English) and Sing Tao Daily (in Chinese) and on our website at *www.royal-deluxe.com* and the website of the Stock Exchange at *www.hkexnews.hk*.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers 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.royal-deluxe.com* and the Stock Exchange’s website at *www.hkexnews.hk* by no later than 8:00 a.m. on Tuesday, 7 February 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 Tuesday, 7 February 2017 to 12:00 midnight on Monday, 13 February 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 7 February 2017 to Friday, 10 February 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 7 February 2017 to Thursday, 9 February 2017 at all the receiving bank branches and sub-branches.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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If our Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an **Application Form** or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, 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 and Employee Reserved Shares is void:**

The allotment of Public Offer Shares and Employee Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your 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 believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.67 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with “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 Tuesday, 7 February 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 Form or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form, **YELLOW** Application Form or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 7 February 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to our Company on Tuesday, 7 February 2017 and our Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Wednesday, 8 February 2017 provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 7 February 2017 or such other date as notified by us at [www.hkexnews.hk](http://www.hkexnews.hk).

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 7 February 2017, by ordinary post and at your own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 7 February 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 Tuesday, 7 February 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

*If you are applying through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

*If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "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 Tuesday, 7 February 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### *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 Tuesday, 7 February 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" above on Tuesday, 7 February 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 7 February 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 Tuesday, 7 February 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 and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 7 February 2017.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

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

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

*The following is the text of a report received from our Company's Reporting Accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



國衛會計師事務所有限公司  
Hodgson Impey Cheng Limited

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

25 January 2017

The Directors  
Royal Deluxe Holdings Limited  
Frontpage Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Royal Deluxe Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the years ended 31 March 2014, 2015 and 2016 and for the four months ended 31 July 2016 (the "Track Record Period"), for inclusion in the prospectus of the Company dated 25 January 2017 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 12 April 2016. Through a corporate reorganisation as more fully explained in the paragraph headed "Reorganisation" under the section headed "History, Development and Reorganisation" to the Prospectus (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 28 June 2016.

As at the date of this report, the Company has the following subsidiaries, all of which are private limited liability companies, particulars of which are set out as below:

Name of subsidiary	Date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
MT Construction Limited ("MT Construction")	15 March 2016, the British Virgin Islands (the "BVI")	US\$1	100% (direct)	Investment holding
MT Engineering Limited ("MT Engineering")	15 March 2016, the BVI	US\$1	100% (direct)	Investment holding

Name of subsidiary	Date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
MT Technology Limited ("MT Technology")	15 March 2016, the BVI	US\$1	100% (direct)	Investment holding
Ming Tai Construction Engineering Company Limited ("Ming Tai Construction")	5 October 1998, Hong Kong	HK\$1,000,000	100% (indirect)	Provision of formwork erection and related ancillary services
Ming Tai Civil Engineering Company Limited ("Ming Tai CE")	10 August 1993, Hong Kong	HK\$10,000	100% (indirect)	Provision of formwork erection and related ancillary services
Genuine Treasure Construction Technology Company Limited ("Genuine Technology")	19 May 2015, Hong Kong	HK\$10,000	100% (indirect)	Development of construction technology and related consultancy services

All companies now comprising the Group have adopted 31 March as their financial year end date.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement, and the Company has not carried out any business transactions other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for MT Construction, MT Engineering and MT Technology since their respective dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of Ming Tai Construction and Ming Tai CE for the years ended 31 March 2014 and 2015 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by GALA Certified Public Accountants (Practising).

The statutory financial statements of Ming Tai Construction and Ming Tai CE for the year ended 31 March 2016 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and were audited by us.

No statutory audited financial statements have been prepared for Genuine Technology for the period ended 31 March 2016 as such financial statements are not yet due for audit under the statutory requirements for its place of incorporation.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA (the “Underlying Financial Statements”).

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of Section A below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial positions of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 and of the Company as at 31 July 2016 and of the financial performance and cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the four months ended 31 July 2015 together with the notes thereon (the “July 2015 Financial Information”) have been extracted from the Group’s unaudited consolidated financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the July 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements

2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the July 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the July 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the July 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform to HKFRSs.

## A. FINANCIAL INFORMATION

## Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000	Four months ended 31 July 2016 HK\$'000
	Notes				(Unaudited)	
Revenue	5	318,287	287,660	481,943	145,435	152,346
Direct costs		<u>(257,586)</u>	<u>(231,644)</u>	<u>(389,711)</u>	<u>(111,325)</u>	<u>(121,888)</u>
Gross profit		60,701	56,016	92,232	34,110	30,458
Other income, other gains and losses	6	5,360	10,801	5,026	664	3,423
Administration and other operating expenses		<u>(17,397)</u>	<u>(25,622)</u>	<u>(33,126)</u>	<u>(9,787)</u>	<u>(11,490)</u>
Finance costs	7	<u>(1,545)</u>	<u>(1,108)</u>	<u>(2,134)</u>	<u>(682)</u>	<u>(1,070)</u>
Profit before tax	8	47,119	40,087	61,998	24,305	21,321
Income tax expense	9	<u>(7,953)</u>	<u>(5,817)</u>	<u>(12,207)</u>	<u>(4,010)</u>	<u>(3,282)</u>
<b>Profit and total comprehensive income for the year/period attributable to owners of the Company</b>		<u>39,166</u>	<u>34,270</u>	<u>49,791</u>	<u>20,295</u>	<u>18,039</u>
<b>Earnings per share</b>		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted	12	<u>3.98</u>	<u>3.48</u>	<u>5.06</u>	<u>2.06</u>	<u>1.83</u>

Details of dividends are disclosed in Note 11 to the Financial Information.

## Consolidated Statements of Financial Position

		As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
	<i>Notes</i>				
<b>Non-current assets</b>					
Property, plant and equipment	<i>13</i>	2,661	4,400	3,796	5,041
Deposits and prepayments for life insurance policy	<i>14</i>	<u>3,703</u>	<u>3,710</u>	<u>3,717</u>	<u>3,722</u>
		<u>6,364</u>	<u>8,110</u>	<u>7,513</u>	<u>8,763</u>
<b>Current assets</b>					
Trade and other receivables	<i>15</i>	42,343	41,842	62,252	74,438
Amounts due from customers for contract work	<i>16</i>	5,318	26,917	28,632	60,149
Amount due from a director	<i>17</i>	23,333	51,403	94,869	84,650
Amounts due from related parties	<i>18</i>	20,127	17,152	46,180	5,988
Bank balances and cash	<i>19</i>	<u>37,949</u>	<u>17,410</u>	<u>21,043</u>	<u>43,750</u>
		<u>129,070</u>	<u>154,724</u>	<u>252,976</u>	<u>268,975</u>
<b>Total assets</b>		<u>135,434</u>	<u>162,834</u>	<u>260,489</u>	<u>277,738</u>
<b>Current liabilities</b>					
Trade and other payables	<i>20</i>	48,362	48,911	57,384	66,421
Derivative financial instruments	<i>21</i>	–	–	200	182
Amounts due to customers for contract work	<i>16</i>	22,999	5,976	22,911	17,103
Amounts due to related parties	<i>18</i>	7,785	10,132	6,619	6,618
Borrowings	<i>22</i>	10,904	17,642	41,500	36,000
Obligations under finance leases	<i>23</i>	376	781	572	514
Current tax liabilities		<u>6,848</u>	<u>6,241</u>	<u>10,996</u>	<u>12,784</u>
		<u>97,274</u>	<u>89,683</u>	<u>140,182</u>	<u>139,622</u>
<b>Net current assets</b>		<u>31,796</u>	<u>65,041</u>	<u>112,794</u>	<u>129,353</u>
<b>Total assets less current liabilities</b>		<u>38,160</u>	<u>73,151</u>	<u>120,307</u>	<u>138,116</u>

		As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Non-current liabilities</b>					
Derivative financial instruments	21	–	–	272	220
Obligations under finance leases	23	–	721	754	576
		–	721	1,026	796
<b>Net assets</b>		<b>38,160</b>	<b>72,430</b>	<b>119,281</b>	<b>137,320</b>
<b>Capital and reserves</b>					
Share capital	24	1,010	1,010	1,020	–
Reserves	25	37,150	71,420	118,261	137,320
Equity attributable to owners of the Company		<b>38,160</b>	<b>72,430</b>	<b>119,281</b>	<b>137,320</b>



## Statement of Financial Position of the Company

	<i>Notes</i>	<b>As at 31 July 2016 HK\$'000</b>
<b>Non-current assets</b>		
Investments in subsidiaries	26	<u>129,214</u>
<b>Net assets</b>		<u><u>129,214</u></u>
<b>Capital and reserves</b>		
Share capital	24	–
Reserves	25	<u>129,214</u>
<b>Total equity</b>		<u><u>129,214</u></u>

## Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i> <i>(Note 24)</i>	Special reserve <i>HK\$'000</i> <i>(Note 25)</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2013	1,010	–	(2,016)	(1,006)
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>39,166</u>	<u>39,166</u>
Balance at 31 March 2014	1,010	–	37,150	38,160
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>34,270</u>	<u>34,270</u>
Balance at 31 March 2015	1,010	–	71,420	72,430
Profit and total comprehensive income for the year	–	–	49,791	49,791
Dividend paid ( <i>Note 11</i> )	–	–	(2,950)	(2,950)
Issue of shares of a subsidiary	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
Balance at 31 March 2016	1,020	–	118,261	119,281
Profit and total comprehensive income for the period	–	–	18,039	18,039
Reorganisation	<u>(1,020)</u>	<u>1,020</u>	<u>–</u>	<u>–</u>
Balance at 31 July 2016	<u><u>–</u></u>	<u><u>1,020</u></u>	<u><u>136,300</u></u>	<u><u>137,320</u></u>
(Unaudited)				
Balance at 1 April 2015	1,010	–	71,420	72,430
Profit and total comprehensive income for the period	–	–	20,295	20,295
Issue of shares of a subsidiary	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
Balance at 31 July 2015	<u><u>1,020</u></u>	<u><u>–</u></u>	<u><u>91,715</u></u>	<u><u>92,735</u></u>

## Consolidated Statements of Cash Flows

<i>Notes</i>	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Four months ended 31 July 2015 <i>HK\$'000</i> (Unaudited)	Four months ended 31 July 2016 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>					
Profit before tax	47,119	40,087	61,998	24,305	21,321
Adjustments for:					
– Depreciation of property, plant and equipment	3,560	2,069	1,697	581	674
– Amortisation of premium and other expenses charged on life insurance policy	108	108	106	33	32
– Loss arising on change in fair value of derivative financial instruments	–	–	681	437	3
– Gain on disposal of property, plant and equipment	–	(108)	(46)	–	(10)
– Interest expense	1,545	1,108	2,134	682	1,070
– Interest income on deposits and prepayments for life insurance policy	(128)	(115)	(113)	(37)	(37)
Operating cash flows before movements in working capital	52,204	43,149	66,457	26,001	23,053
Decrease/(increase) in trade and other receivables	20,336	501	(20,410)	(2,472)	(12,186)
Increase in amounts due from customers for contract work	(4,585)	(21,599)	(1,715)	(1,925)	(31,517)
(Increase)/decrease in amount due from a director	(23,333)	(28,070)	(43,466)	(24,518)	10,219
(Increase)/decrease in amounts due from related parties	(16,771)	2,975	(29,028)	(7,063)	40,192
(Decrease)/increase in trade and other payables	(6,838)	549	8,473	8,870	8,907
Increase/(decrease) in amounts due to customers for contract work	22,999	(17,023)	16,935	143	(5,808)
Decrease in amount due to a director	(2,992)	–	–	–	–
Increase/(decrease) in amounts due to related parties	7,785	2,347	(3,513)	7,659	(1)
Cash generated from/(used in) operations	48,805	(17,171)	(6,267)	6,695	32,859
Interest paid	(1,545)	(1,108)	(2,134)	(682)	(940)
Hong Kong Profits Tax paid	(1,101)	(6,424)	(7,452)	(1,005)	(1,494)
<b>Net cash generated from/(used in) operating activities</b>	<b>46,159</b>	<b>(24,703)</b>	<b>(15,853)</b>	<b>5,008</b>	<b>30,425</b>

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
<b>Cash flows from investing activities</b>					
Net cash outflow for derivatives financial instruments	-	-	(209)	(45)	(73)
Proceeds from disposal of property, plant and equipment	-	150	241	-	10
Purchases of property, plant and equipment	(2,439)	(1,662)	(624)	(147)	(1,919)
<b>Net cash used in investing activities</b>	(2,439)	(1,512)	(592)	(192)	(1,982)
<b>Cash flows from financing activities</b>					
Dividend paid	-	-	(2,950)	-	-
Proceeds from issue of shares of a subsidiary	-	-	10	10	-
Proceeds from borrowings	20,396	32,550	84,414	26,657	32,197
Repayment of borrowings	(26,136)	(25,812)	(60,556)	(12,492)	(37,697)
Repayment of obligations under finance leases	(395)	(1,062)	(840)	(284)	(236)
<b>Net cash (used in)/generated from financing activities</b>	(6,135)	5,676	20,078	13,891	(5,736)
<b>Net increase/(decrease) in cash and cash equivalents</b>	37,585	(20,539)	3,633	18,707	22,707
<b>Cash and cash equivalents at the beginning of year/period</b>	364	37,949	17,410	17,410	21,043
<b>Cash and cash equivalents at the end of year/period</b>	19 37,949	17,410	21,043	36,117	43,750

## NOTES TO THE FINANCIAL INFORMATION

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability. Its parent and ultimate holding company is Wang K M Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. Wang Kei Ming (“Mr. Joseph Wang”) (the “Controlling Shareholder”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

Throughout the Track Record Period, the group entities were controlled by Mr. Joseph Wang. Through the Reorganisation as more fully explained in the section headed “History, Development and Reorganisation” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 June 2016. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the common control of the Controlling Shareholder prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“HK(IFRIC)-Int”) issued by the HKICPA which are effective for the Group’s annual accounting period beginning on 1 April 2016 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised standards and amendments that are not yet effective. The Group has not early adopted these standards and amendments.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue From Contracts with Customers <sup>2</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
- <sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

### HKFRS 9 Financial Instruments

HKFRS 9 “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. The Group is assessing the impact of HKFRS 9 but anticipate that the application of HKFRS 9 in the future will have no material impact on the Group’s consolidated financial statements.

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 *Revenue from contracts with customers* was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, this 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

It establishes that revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progresses, broadly similar to the method under HKAS 11. However, revenue recognition will be significantly delayed if it cannot be established that performance obligations are satisfied over time. In addition, contract modifications will be required to be approved before revenue is recognised; this new requirement may result in revenue from contract modifications to be recognised later than it would have been under HKAS 11. The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

### HKFRS 16 Leases

HKFRS 16 *Leases* introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term

leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. As set out in note 28(b), total operating lease commitments of the Group in respect of rented premises as at 31 July 2016 amounted to approximately HK\$1,769,000. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the Financial Information of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each of the Track Record Period, as explained in the accounting policies set out below. 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 the 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 are set out below.

**Basis of consolidation**

The 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 three elements of control listed above.

Consolidation 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 consolidated statement 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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Merger accounting for business combination involving entities under common control**

The 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 consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.



Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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.

### **Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Track Record Period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work.

### **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 consolidated statements of financial position as obligations under finance leases.

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). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**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 exchange 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

**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.

**Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated 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 of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

#### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position 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 property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on 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 property, 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 property, 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 on tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **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 that obligation, 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 the 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Financial instruments**

Financial assets and financial liabilities are recognised 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 or 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ***Financial assets***

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### ***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 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 other than those financial assets classified as at FVTPL.

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other income, other gains and losses' line item.

*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 deposits for life insurance policy, trade and other receivables, amount due from a director, amounts due from related parties and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment of financial assets 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 receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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.

For financial assets measured at amortised cost, 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 investment 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*

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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

#### *Other financial liabilities*

Other financial liabilities (including trade and other payables, amounts due to related parties, borrowings and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

#### *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 other than those financial liabilities classified as at FVTPL.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

**Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);



- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### **Cash and cash equivalents**

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

#### **Government grant**

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgements, 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the futures, and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Construction contracts revenue recognition**

The Group recognises contract revenue and cost of a construction contract according to the management's estimation of the progress and outcome of the project. Estimated contract revenue is determined with reference to the terms of the relevant contracts. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both estimated contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

#### **Allowance for trade and other receivables**

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each

customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

## 5. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivables from construction services in Hong Kong during the Track Record Period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in Note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

### Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. All of the Group's revenue from external customers during the Track Record Period are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

### Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the Track Record Period are as follows:

	<b>Year ended</b> <b>31 March</b> <b>2014</b> <i>HK\$'000</i>	<b>Year ended</b> <b>31 March</b> <b>2015</b> <i>HK\$'000</i>	<b>Year ended</b> <b>31 March</b> <b>2016</b> <i>HK\$'000</i>	<b>Four</b> <b>months</b> <b>ended</b> <b>31 July</b> <b>2015</b> <i>HK\$'000</i> (Unaudited)	<b>Four</b> <b>months</b> <b>ended</b> <b>31 July</b> <b>2016</b> <i>HK\$'000</i>
Customer A	141,023	154,380	196,397	58,251	41,269
Customer B	N/A <sup>1</sup>	N/A <sup>1</sup>	132,712	40,352	22,814
Customer C	116,204	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer D	N/A <sup>1</sup>	70,829	98,789	37,768	18,411
Customer E	38,766	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer F	N/A <sup>1</sup>	N/A <sup>1</sup>	34,946	N/A <sup>1</sup>	25,701
Customer G	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	23,513

<sup>1</sup> The corresponding revenue did not contribute over 10% of the Group's total revenue.

## 6. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
<b>Other income</b>					
Interest income on deposits and prepayments for life insurance policy	128	115	113	37	37
Income from sale of scrap materials	4,393	7,836	2,731	478	695
Rental income	61	20	–	–	–
Government grants	–	–	–	–	215
Sundry income	778	2,722	2,816	586	2,469
	<u>5,360</u>	<u>10,693</u>	<u>5,660</u>	<u>1,101</u>	<u>3,416</u>
<b>Other gains and losses</b>					
Net foreign exchange gains	–	–	1	–	–
Gain on disposal of property, plant and equipment	–	108	46	–	10
Loss arising on change in fair value of derivative financial instruments	–	–	(681)	(437)	(3)
	<u>5,360</u>	<u>108</u>	<u>(634)</u>	<u>(437)</u>	<u>7</u>
	<u>5,360</u>	<u>10,801</u>	<u>5,026</u>	<u>664</u>	<u>3,423</u>

## 7. FINANCE COSTS

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
Interests on:					
Bank borrowings and overdrafts	1,511	1,040	2,072	663	1,049
Obligations under finance leases	34	68	62	19	21
	<u>1,545</u>	<u>1,108</u>	<u>2,134</u>	<u>682</u>	<u>1,070</u>

## 8. PROFIT BEFORE TAX

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
Profit before tax has been arrived at after charging:					
Employee benefits expense ( <i>Note (i)</i> ):					
Salaries and other benefits in kind	111,973	151,160	219,133	63,317	99,754
Discretionary bonuses	4,027	2,387	2,078	–	–
Contributions to retirement benefit scheme	3,638	5,175	7,473	2,229	3,283
Total employee benefits expense, including directors' emoluments ( <i>Note 10</i> )	<u>119,638</u>	<u>158,722</u>	<u>228,684</u>	<u>65,546</u>	<u>103,037</u>
Amortisation of premium and other expenses charged on life insurance policy	108	108	106	33	32
Auditors' remuneration	65	71	110	37	37
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	3,560	2,069	1,697	581	674
Listing expenses	–	–	3,970	–	1,795
Net foreign exchange losses	3	2	–	–	–
Operating lease rentals in respect of:					
– Land and buildings	713	864	1,018	310	631
– Plant and equipment	11,495	9,271	15,984	3,784	4,135

*Notes:*

- (i) During the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016, total employee benefits expense amounting to approximately HK\$110,714,000, HK\$143,053,000, HK\$213,560,000, HK\$58,762,000 (unaudited) and HK\$97,041,000 respectively was included in direct costs and amounting to approximately HK\$8,924,000, HK\$15,669,000, HK\$15,124,000, HK\$6,784,000 (unaudited) and HK\$5,996,000 respectively was included in administration and other operating expenses.
- (ii) During the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016, total depreciation of property, plant and equipment amounting to approximately HK\$2,483,000, HK\$143,000, Nil, Nil (unaudited) and Nil respectively was included in direct costs and amounting to approximately HK\$1,077,000, HK\$1,926,000, HK\$1,697,000, HK\$581,000 (unaudited) and HK\$674,000 respectively was included in administration and other operating expenses.

## 9. INCOME TAX EXPENSE

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
Current income tax:					
– Hong Kong Profits Tax	7,953	5,817	12,207	4,010	3,282
Total income tax expense recognised in profit or loss	<u>7,953</u>	<u>5,817</u>	<u>12,207</u>	<u>4,010</u>	<u>3,282</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
Profit before tax	<u>47,119</u>	<u>40,087</u>	<u>61,998</u>	<u>24,305</u>	<u>21,321</u>
Tax at Hong Kong Profits Tax rate of 16.5%	7,775	6,614	10,230	4,010	3,518
Tax effect of temporary differences not recognised	(552)	(574)	(391)	(138)	(301)
Tax effect of income not taxable for tax purpose	–	(18)	(8)	–	(2)
Tax effect of expenses not deductible for tax purpose	587	351	940	97	408
Tax effect of tax losses not recognised	153	–	1,456	41	26
Utilisation of tax losses previously not recognised	–	(516)	–	–	(367)
Tax reduction	<u>(10)</u>	<u>(40)</u>	<u>(20)</u>	<u>–</u>	<u>–</u>
Income tax expense for the year	<u>7,953</u>	<u>5,817</u>	<u>12,207</u>	<u>4,010</u>	<u>3,282</u>

No deferred tax assets and liabilities are recognised in the Financial Information as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2014, 2015 and 2016 and 31 July 2016.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, the Group had unused tax losses of approximately HK\$3,129,000, Nil, HK\$8,672,000 and HK\$6,450,000 respectively, subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Directors' emoluments

Details of the emoluments paid or payable to directors of the Company during the Track Record Period are as follows:

	Fees <i>HK\$'000</i>	Salaries and other benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2014					
<b>Executive director</b>					
Mr. Joseph Wang ( <i>Note (i)</i> )	–	3,172	–	15	3,187
For the year ended 31 March 2015					
<b>Executive directors</b>					
Mr. Joseph Wang ( <i>Note (i)</i> )	–	3,722	–	18	3,740
Mr. Wang Yu Hin ( <i>Note (ii)</i> )	–	221	–	9	230
	–	3,943	–	27	3,970
For the year ended 31 March 2016					
<b>Executive directors</b>					
Mr. Joseph Wang ( <i>Note (i)</i> )	–	4,350	–	18	4,368
Mr. Wang Yu Hin ( <i>Note (ii)</i> )	–	438	–	18	456
	–	4,788	–	36	4,824
For the four months ended 31 July 2015 (Unaudited)					
<b>Executive directors</b>					
Mr. Joseph Wang ( <i>Note (i)</i> )	–	1,000	–	6	1,006
Mr. Wang Yu Hin ( <i>Note (ii)</i> )	–	120	–	6	126
	–	1,120	–	12	1,132

	Fees <i>HK\$'000</i>	Salaries and other benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Contributions to retirement benefit scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the four months ended 31 July 2016					
<b>Executive directors</b>					
Mr. Joseph Wang ( <i>Note (i)</i> )	–	2,800	–	6	2,806
Mr. Wang Yu Hin ( <i>Note (ii)</i> )	–	160	–	6	166
	<u>–</u>	<u>2,960</u>	<u>–</u>	<u>12</u>	<u>2,972</u>

*Notes:*

- (i) Mr. Joseph Wang was appointed as executive director of the Company on 12 April 2016. He was also a director of certain subsidiaries of the Company and the Group paid emoluments to him in his capacity as directors of these subsidiaries during the Track Record Period.
- (ii) Mr. Wang Yu Hin was appointed as executive director of the Company on 18 July 2016. He was also a senior management of a subsidiary of the Company and the Group paid emoluments to him in his capacity as an employee during the Track Record Period.

**(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, one of them was director of the Company for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016, respectively whose emoluments are disclosed above. The emoluments in respect of the remaining highest four individuals for the respective years/periods were as follows:

	Year ended 31 March 2014 <i>HK\$'000</i>	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Four months ended 31 July 2015 <i>HK\$'000</i>	Four months ended 31 July 2016 <i>HK\$'000</i>
(Unaudited)					
Salaries and other benefits in kind	5,631	5,477	6,371	1,183	1,558
Discretionary bonuses	493	1,218	1,350	–	–
Contributions to retirement benefit scheme	51	52	68	24	24
	<u>6,175</u>	<u>6,747</u>	<u>7,789</u>	<u>1,207</u>	<u>1,582</u>

The emoluments of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands are as follows:

	Number of individuals				
	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Four months ended 31 July 2015 (Unaudited)	Four months ended 31 July 2016
Nil to HK\$1,000,000	–	1	–	4	4
HK\$1,000,001 to HK\$1,500,000	1	2	1	–	–
HK\$1,500,001 to HK\$2,000,000	3	–	1	–	–
HK\$2,000,001 to HK\$2,500,000	–	–	1	–	–
HK\$2,500,001 to HK\$3,000,000	–	–	1	–	–
HK\$3,000,001 to HK\$3,500,000	–	1	–	–	–
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the Track Record Period.

## 11. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation during the Track Record Period. Prior to the Reorganisation, Ming Tai CE has declared and paid dividend to its respective equity owners amounted to approximately HK\$2,950,000 for the year ended 31 March 2016. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

## 12. EARNINGS PER SHARE

For the purpose of this report, the calculation of basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 984,000,000 shares (comprising 10,000 shares in issue and 983,990,000 shares to be issued under the capitalisation issue as described in Appendix IV “Statutory and General Information” to the Prospectus) as if these 984,000,000 shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the Track Record Period.



## 13. PROPERTY, PLANT AND EQUIPMENT

	Metal column, timber and scaffolds HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>							
Balance at 1 April 2013	32,255	5,954	619	1,291	593	1,189	41,901
Additions	–	–	814	498	936	191	2,439
Balance at 31 March 2014	32,255	5,954	1,433	1,789	1,529	1,380	44,340
Additions	–	–	545	134	259	2,912	3,850
Disposals	–	–	–	–	–	(256)	(256)
Balance at 31 March 2015	32,255	5,954	1,978	1,923	1,788	4,036	47,934
Additions	–	–	143	187	313	645	1,288
Disposals	–	(5,954)	(619)	(1,048)	(591)	(778)	(8,990)
Balance at 31 March 2016	32,255	–	1,502	1,062	1,510	3,903	40,232
Additions	–	–	–	64	8	1,847	1,919
Disposals	–	–	–	–	–	(155)	(155)
Balance at 31 July 2016	<u>32,255</u>	<u>–</u>	<u>1,502</u>	<u>1,126</u>	<u>1,518</u>	<u>5,595</u>	<u>41,996</u>
<b>Accumulated depreciation</b>							
Balance at 1 April 2013	29,749	5,834	568	1,025	495	448	38,119
Depreciation expense	<u>2,423</u>	<u>60</u>	<u>230</u>	<u>235</u>	<u>284</u>	<u>328</u>	<u>3,560</u>
Balance at 31 March 2014	32,172	5,894	798	1,260	779	776	41,679
Depreciation expense	83	60	365	196	346	1,019	2,069
Eliminated on disposals	–	–	–	–	–	(214)	(214)
Balance at 31 March 2015	32,255	5,954	1,163	1,456	1,125	1,581	43,534
Depreciation expense	–	–	340	175	323	859	1,697
Eliminated on disposals	–	(5,954)	(619)	(1,048)	(591)	(583)	(8,795)
Balance at 31 March 2016	32,255	–	884	583	857	1,857	36,436
Depreciation expense	–	–	123	71	122	358	674
Eliminated on disposals	–	–	–	–	–	(155)	(155)
Balance at 31 July 2016	<u>32,255</u>	<u>–</u>	<u>1,007</u>	<u>654</u>	<u>979</u>	<u>2,060</u>	<u>36,955</u>
<b>Carrying amounts</b>							
Balance at 31 March 2014	<u>83</u>	<u>60</u>	<u>635</u>	<u>529</u>	<u>750</u>	<u>604</u>	<u>2,661</u>
Balance at 31 March 2015	<u>–</u>	<u>–</u>	<u>815</u>	<u>467</u>	<u>663</u>	<u>2,455</u>	<u>4,400</u>
Balance at 31 March 2016	<u>–</u>	<u>–</u>	<u>618</u>	<u>479</u>	<u>653</u>	<u>2,046</u>	<u>3,796</u>
Balance at 31 July 2016	<u>–</u>	<u>–</u>	<u>495</u>	<u>472</u>	<u>539</u>	<u>3,535</u>	<u>5,041</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Metal column, timber and scaffolds	50%
Plant and machinery	25%
Leasehold improvements	25%
Office equipment	20%
Furniture and fixtures	25%
Motor vehicles	25%

As at 31 March 2014, 2015 and 2016 and 31 July 2016, certain motor vehicles of the Group were held under finance leases with carrying amounts of approximately HK\$470,000, HK\$1,874,000, HK\$1,676,000 and HK\$1,438,000 respectively.

#### 14. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure Mr. Joseph Wang. Under the policy, Ming Tai Construction is the beneficiary and policy holder and the total insured sum is United States Dollars ("US\$") 1,033,000 (equivalent to approximately HK\$8,021,000). Ming Tai Construction is required to pay upfront deposits of approximately US\$500,000 (equivalent to approximately HK\$3,883,000). Ming Tai Construction can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payments of approximately US\$500,000 (equivalent to approximately HK\$3,883,000) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ming Tai Construction a minimum guaranteed interest of 3% per annum for the insured period.

The directors of the Company consider that the possibility of terminating the policy during the first to twentieth policy year was low and the expected life of the life insurance policy remains unchanged since its initial recognition. The deposits and prepayments for life insurance policy are denominated in US\$.

#### 15. TRADE AND OTHER RECEIVABLES

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
Trade receivables	26,095	20,785	32,931	43,834
Retention receivables	14,169	16,643	24,227	25,004
Deposits, prepayments and other receivables	2,079	4,414	5,094	5,600
	<u>42,343</u>	<u>41,842</u>	<u>62,252</u>	<u>74,438</u>

The Group allows a credit period ranging from 7 to 56 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

As at 31 March 2015, included in trade and other receivables was approximately HK\$3,191,000 receivable from a related company, Genuine Treasure Construction Material Limited with maximum amount outstanding of approximately HK\$4,141,000 during the year ended 31 March 2015.

The ageing analysis of trade receivables presented based on the date of progress certificates issued by customers, at the end of each of the Track Record Period, are as follows:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i>
0 – 30 days	21,368	16,677	24,044	22,753
31 – 60 days	3,994	4,108	8,104	11,545
61 – 90 days	–	–	509	9,536
91 – 180 days	–	–	–	–
Over 180 days	733	–	274	–
	<u>26,095</u>	<u>20,785</u>	<u>32,931</u>	<u>43,834</u>

Trade receivables disclosed above include amounts which are past due at the end of each of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

#### Ageing of trade receivables which are past due but not impaired

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i>
Overdue by:				
1 – 30 days	12,344	4,108	9,755	19,645
31 – 60 days	225	–	1,191	3,867
61 – 90 days	–	–	–	–
91 – 180 days	–	–	–	–
Over 180 days	733	–	274	–
	<u>13,302</u>	<u>4,108</u>	<u>11,220</u>	<u>23,512</u>

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Except for retention receivables of approximately HK\$14,169,000, HK\$16,643,000, HK\$22,711,000 and HK\$23,891,000 as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	418,065	736,982	1,139,714	1,154,186
Less: Progress billings received and receivables	<u>(435,746)</u>	<u>(716,041)</u>	<u>(1,133,993)</u>	<u>(1,111,140)</u>
	<u>(17,681)</u>	<u>20,941</u>	<u>5,721</u>	<u>43,046</u>
<b>Analysed for reporting purposes as:</b>				
Amounts due from customers for contract work	5,318	26,917	28,632	60,149
Amounts due to customers for contract work	<u>(22,999)</u>	<u>(5,976)</u>	<u>(22,911)</u>	<u>(17,103)</u>
	<u>(17,681)</u>	<u>20,941</u>	<u>5,721</u>	<u>43,046</u>

As at 31 March 2014, 2015 and 2016 and 31 July 2016, retentions held by customers for contract work amounted to approximately HK\$14,169,000, HK\$16,643,000, HK\$24,227,000 and HK\$25,004,000 respectively as set out in Note 15. Retention monies withheld by customers for contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

## 17. AMOUNT DUE FROM A DIRECTOR

Name	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 July 2016 <i>HK\$'000</i>
Mr. Joseph Wang	<u>23,333</u>	<u>51,403</u>	<u>94,869</u>	<u>84,650</u>
Maximum amount outstanding during the year/period	<u>44,420</u>	<u>66,885</u>	<u>110,448</u>	<u>96,584</u>

The amount due was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment.

## 18. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand which are analysed as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Amounts due from related parties:</b>				
First Land Enterprises Limited ( <i>Note (i)</i> )	5,438	1,952	1,752	1,582
Genuine Treasure Access and Scaffolding Limited ( <i>Note (ii)</i> )	6	–	–	–
Genuine Treasure Construction Material Limited ( <i>Note (iii)</i> )	7,606	9,151	39,909	–
Ho San Construction Materials Company Limited ( <i>Note (iv)</i> )	1,375	–	113	–
Kingsly Limited ( <i>Note (vi)</i> )	4,285	4,346	4,406	4,406
Right Choice Construction Engineering Limited ( <i>Note (vii)</i> )	1,417	1,703	–	–
	<u>20,127</u>	<u>17,152</u>	<u>46,180</u>	<u>5,988</u>
<b>Maximum amount outstanding during the year/period:</b>				
First Land Enterprises Limited	5,612	5,642	2,570	1,752
Genuine Treasure Access and Scaffolding Limited	6	6	–	–
Genuine Treasure Construction Material Limited	15,287	9,757	39,909	39,909
Ho San Construction Materials Company Limited	2,343	1,375	4,375	113
Kingsly Limited	4,285	4,346	4,406	4,406
Right Choice Construction Engineering Limited	1,965	1,703	1,703	–
	<u>1,965</u>	<u>1,703</u>	<u>1,703</u>	<u>–</u>
	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Amounts due to related parties:</b>				
Ming Tai (Macau) Construction Engineering Limited ( <i>Note (ix)</i> )	4,258	4,258	4,258	4,258
King On Construction Engineering Company Limited ( <i>Note (v)</i> )	1,039	1,027	776	776
Kingly Investments Limited ( <i>Note (viii)</i> )	2,488	1,958	1,585	1,584
Genuine Treasure Access and Scaffolding Limited	–	1,504	–	–
Ho San Construction Materials Company Limited	–	1,385	–	–
	<u>7,785</u>	<u>10,132</u>	<u>6,619</u>	<u>6,618</u>

*Notes:*

- (i) Mr. Joseph Wang and a close family member were shareholders and directors of First Land Enterprises Limited.
- (ii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.
- (iii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.
- (iv) Mr. Joseph Wang had material beneficial interest in Ho San Construction Materials Company Limited before February 2016. Prior to the Reorganisation, Mr. Joseph Wang disposed of his shares in the company and Mr. Joseph Wang ceased control over the company in February 2016.
- (v) Mr. Joseph Wang was the substantial shareholder and director of King On Construction Engineering Company Limited.
- (vi) Mr. Joseph Wang was a substantial shareholder and director of Kingsly Limited.
- (vii) Mr. Joseph Wang was a substantial shareholder and director of Right Choice Construction Engineering Limited.
- (viii) Mr. Joseph Wang and two close family members were shareholders and directors of Kingly Investments Limited.
- (ix) Mr. Joseph Wang had material beneficial interest in Ming Tai (Macau) Construction Engineering Limited.

**19. CASH AND CASH EQUIVALENTS**

Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

**20. TRADE AND OTHER PAYABLES**

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
Trade payables	2,778	5,982	6,718	9,627
Bills payables	10,990	9,060	13,197	16,247
Other payables and accruals	30,217	29,032	28,866	35,495
Deposits received	4,377	4,837	8,603	5,052
	<u>48,362</u>	<u>48,911</u>	<u>57,384</u>	<u>66,421</u>

The credit period on trade payables is generally 7 to 60 days.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, included in trade payables was approximately HK\$687,000, Nil, HK\$495,000 and HK\$952,000 respectively payable to a related company, Genuine Treasure Construction Material Limited.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, included in trade payables was approximately Nil, HK\$2,823,000, HK\$1,069,000 and HK\$2,100,000 respectively payable to a related company, Genuine Treasure Access and Scaffolding Limited.

The ageing analysis of trade payables, presented based on the invoice date, at the end of each of the Track Record Period, are as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
0 – 30 days	1,887	2,960	4,227	4,875
31 – 60 days	727	1,715	1,686	4,400
61 – 90 days	68	1,116	805	352
91 – 180 days	76	47	–	–
Over 180 days	20	144	–	–
	<u>2,778</u>	<u>5,982</u>	<u>6,718</u>	<u>9,627</u>

As at 31 March 2014, 2015 and 2016 and 31 July 2016, bills payables have original maturities of ranging from 61 days to 122 days, ranging from 48 days to 120 days, 120 days and ranging from 120 days to 122 days respectively.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Financial liabilities</b>				
Interest rate swap contracts	–	–	472	402
	<u>–</u>	<u>–</u>	<u>472</u>	<u>402</u>
<b>Represented by:</b>				
Current portion	–	–	200	182
Non-current portion	–	–	272	220
	<u>–</u>	<u>–</u>	<u>472</u>	<u>402</u>

The notional principal amount of derivative financial instruments outstanding as at 31 March 2016 and 31 July 2016 was approximately HK\$10,000,000 and HK\$9,200,000 respectively for interest rate swap contracts.

## 22. BORROWINGS

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
Bank loans – secured	10,904	17,642	41,500	36,000
	<u>10,904</u>	<u>17,642</u>	<u>41,500</u>	<u>36,000</u>

Notes:

- (i) All bank loans of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 contain repayment on demand clauses and are included in current liabilities.
- (ii) During the Track Record Period, the bank loans bear interest at floating rates ranging from 2.24% to 7.50% per annum.

- (iii) The Group's banking facilities granted by certain banks were secured/guaranteed by:
- Leasehold properties owned by related companies of which Mr. Joseph Wang has beneficial interests in as at 31 March 2014, 2015 and 2016 and 31 July 2016;
  - Unlimited personal guarantee by Mr. Joseph Wang as at 31 March 2014, 2015 and 2016 and 31 July 2016;
  - Unlimited joint and several personal guarantee executed by Mr. Joseph Wang and his close family member as at 31 March 2015 and 2016 and 31 July 2016;
  - Unlimited corporate guarantee by Kingly Investments Limited as at 31 March 2014, 2015 and 2016 and 31 July 2016;
  - Letter of guarantee for HK\$19,000,000 plus interest and charges duly executed by Ming Tai (Macau) Construction Engineering Limited as at 31 March 2014, 2015 and 2016 and 31 July 2016;
  - Assignment of life insurance policy of Mr. Joseph Wang with an insured sum of not less than US\$1,033,000 as at 31 March 2014, 2015 and 2016 and 31 July 2016;
  - Unlimited cross corporate guarantee by First Land Enterprises Limited as at 31 March 2015 and 2016 and 31 July 2016; and
  - Guarantee by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme as at 31 March 2016 and 31 July 2016.

### 23. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The original lease terms entered by the Group for the leases outstanding as at 31 March 2014, 2015 and 2016 and 31 July 2016 are ranged from 2 to 3 years, from 1 to 4 years, from 2 to 5 years and from 4 to 5 years, respectively. The remaining lease terms as at 31 March 2014, 2015 and 2016 and 31 July 2016 are 1 year, ranged from 1 to 3 years, from 1 to 5 years and from 1 to 4 years, respectively. Interest rate underlying all obligations under finance leases as at 31 March 2014, 2015 and 2016 and 31 July 2016 are fixed at the respective contract dates ranging from 2.25% to 5.5% per annum, from 1.8% to 2% per annum, from 2% to 2.5% per annum and from 1.8% to 2.5% per annum, respectively. No arrangements have been entered into for contingent rental payments.



At 31 March 2014, 2015 and 2016 and 31 July 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Total minimum lease payments</b>				
Within one year	384	827	619	552
After one year but within two years	–	470	425	287
After two years but within five years	–	276	374	323
	384	1,573	1,418	1,162
Future finance charges on finance leases	(8)	(71)	(92)	(72)
Present value of finance lease liabilities	<u>376</u>	<u>1,502</u>	<u>1,326</u>	<u>1,090</u>
<b>Present value of minimum lease payments</b>				
Within one year	376	781	572	514
After one year but within two years	–	449	401	268
After two years but within five years	–	272	353	308
	<u>376</u>	<u>1,502</u>	<u>1,326</u>	<u>1,090</u>

Certain of the Group's obligations under finance leases are secured by personal guarantee provided by Mr. Joseph Wang and his close family member. Obligations under finance leases are denominated in HK\$.

## 24. SHARE CAPITAL

For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital at 31 March 2014, 2015 and 2016 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the Controlling Shareholder prior to the completion of Reorganisation.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 April 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid share was allotted and issued to the subscriber on 12 April 2016, and was subsequently transferred to Wang K M Limited on the same date. On 27 June 2016, a total of 9,999 nil-paid shares of the Company were allotted and issued to Wang K M Limited, and were credited as fully-paid on 28 June 2016 pursuant to the Reorganisation.

As at 31 July 2016, the Company has issued share capital of HK\$100 divided into 10,000 ordinary shares of HK\$0.01 each.

## 25. RESERVES

### The Group

#### *Special reserve*

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the Reorganisation.

## The Company

	<b>Special reserve</b> <i>HK\$'000</i>
<b>Balance at 12 April 2016 (date of incorporation)</b>	–
Reorganisation	<u>129,214</u>
<b>Balance at 31 July 2016</b>	<u><u>129,214</u></u>

Special reserve represents the difference between the nominal value of shares issued by the Company pursuant to the Reorganisation and the aggregate net asset value of the subsidiaries acquired.

## 26. INVESTMENTS IN SUBSIDIARIES

	<b>As at 31 July 2016</b> <i>HK\$'000</i>
Unlisted investment, at cost	<u><u>129,214</u></u>

Details of the subsidiaries as at 31 July 2016 are set out as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ operations</b>	<b>Issued and fully paid up share capital</b>	<b>Proportion ownership interest held by the Company</b>	<b>Principal activities</b>
MT Construction	BVI	US\$1	100% (direct)	Investment holding
MT Engineering	BVI	US\$1	100% (direct)	Investment holding
MT Technology	BVI	US\$1	100% (direct)	Investment holding
Ming Tai Construction	Hong Kong	HK\$1,000,000	100% (indirect)	Provision of formwork erection and related ancillary services
Ming Tai CE	Hong Kong	HK\$10,000	100% (indirect)	Provision of formwork erection and related ancillary services
Genuine Technology	Hong Kong	HK\$10,000	100% (indirect)	Development of construction technology and related consultancy services

**27. RETIREMENT BENEFIT SCHEME**

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established 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 trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK\$3,638,000, HK\$5,175,000, HK\$7,473,000, HK\$2,229,000 (unaudited) and HK\$3,283,000 for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016 respectively and represent contributions paid or payable to the MPF Scheme by the Group in respect of the Track Record Period.

**28. COMMITMENTS****(a) Capital commitments**

Capital commitments outstanding at the end of each of the Track Record Period not provided for in the Financial Information were as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
Contracted but not provided for:				
Property, plant and equipment	–	–	1,813	–

**(b) Operating lease commitments – Group as lessee**

At the end of each of the Track Record Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
Within one year	–	111	1,320	1,172
In the second to fifth years inclusive	–	–	987	597
	–	111	2,307	1,769

Operating lease relates to office premises with lease term of between 1 to 2 years and the rentals are fixed throughout the lease period.

**29. RELATED PARTY TRANSACTIONS****(i) Outstanding balances with related parties**

Details of outstanding balances with related parties are set out in Notes 15, 17, 18 and 20.

## (ii) Material related party transactions

The Group entered into the following material related party transactions during the Track Record Period:

Name of related parties	Nature	Year ended	Year ended	Year ended	Four months ended	Four months ended
		31 March 2014	31 March 2015	31 March 2016	31 July 2015	31 July 2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
Ho San Construction Materials Company Limited (Note (iv))	Purchase of construction materials	11,652	15,656	20,249	12,144	–
	Subcontracting income	2,229	–	–	–	–
Right Choice Construction Engineering Limited (Note (v))	Subcontracting charge	12,997	16,101	5,578	2,313	–
	Management fee income	–	150	–	–	–
First Land Enterprises Limited (Note (i))	Rental charge	300	300	311	100	114
Genuine Treasure Construction Material Limited (Note (iii))	Purchase of construction materials and scaffolding equipment rental	–	35	4,941	–	4,429
	Scrap sales of materials	–	4,240	274	274	–
	Transportation and plant hiring charge	10,703	1,357	1,150	582	219
Genuine Treasure Access and Scaffolding Limited (Note (ii))	Scaffolding & equipment rental paid	–	8,042	13,057	1,963	3,643
	Transportation and plant hiring charge	–	1,548	900	269	603

## Notes:

- (i) Mr. Joseph Wang and a close family member were shareholders and directors of First Land Enterprises Limited.
- (ii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.
- (iii) Mr. Joseph Wang's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.
- (iv) Mr. Joseph Wang had material beneficial interest in Ho San Construction Materials Company Limited before February 2016. Prior to the Reorganisation, Mr. Joseph Wang disposed of his shares in the company and Mr. Joseph Wang ceased control over the company in February 2016.
- (v) Mr. Joseph Wang was a substantial shareholder and director of Right Choice Construction Engineering Limited.

- (vi) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

**(iii) Guarantees provided to a related party**

Ming Tai Construction has executed a corporate guarantee for banking facilities granted by a bank to First Land Enterprises Limited. The fair value of the financial guarantee at initial recognition is not significant and therefore the directors are of the opinion that no provision for financial guarantee should be made. The corporate guarantee will be released upon listing.

**(iv) Compensation of key management personnel**

The remuneration of directors and other members of key management of the Group during the Track Record Period was as follows:

	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Four months ended 31 July 2015 HK\$'000 (Unaudited)	Four months ended 31 July 2016 HK\$'000
Short-term employee benefits	7,209	8,865	12,043	2,303	4,518
Post-employment benefits	36	61	105	36	36
	<u>7,245</u>	<u>8,926</u>	<u>12,148</u>	<u>2,339</u>	<u>4,554</u>

**30. CONTINGENT LIABILITIES**

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period. The directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary having considered, among other things, (i) the nature and the degree of injuries of the incidents; and (ii) the coverage of the main contractors' insurance policy(ies).

**31. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders 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 net debt, which includes borrowings, net of bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company reviews the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

The net debt to equity ratio at the end of each of the Track Record Period are as follows:

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
Debts ( <i>Note (i)</i> )	11,280	19,144	42,826	37,090
Less: Bank balances and cash ( <i>Note (ii)</i> )	<u>(37,949)</u>	<u>(17,410)</u>	<u>(21,043)</u>	<u>(43,750)</u>
Net debt	<u>(26,669)</u>	<u>1,734</u>	<u>21,783</u>	<u>(6,660)</u>
Equity ( <i>Note (iii)</i> )	<u>38,160</u>	<u>72,430</u>	<u>119,281</u>	<u>137,320</u>
Net debt-to-equity ratio	<u>N/A</u>	<u>2%</u>	<u>18%</u>	<u>N/A</u>

*Notes:*

- (i) Debts represent borrowings and obligations under finance leases as detailed in Notes 22 and 23 respectively.
- (ii) Bank balances and cash as detailed in Note 19.
- (iii) Equity includes all capital and reserves attributable to owners of the Company.

### 32. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	As at 31 March 2014 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 July 2016 HK\$'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	<u>127,263</u>	<u>131,107</u>	<u>225,968</u>	<u>210,159</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	67,427	78,187	106,829	110,129
Financial liabilities at FVTPL	<u>–</u>	<u>–</u>	<u>472</u>	<u>402</u>

#### (b) Financial risk management objectives and policies

The Group's major financial instruments include deposits and prepayments for life insurance policy, trade and other receivables, amount due from a director, amounts due from related parties, bank balances and cash, trade and other payables, amounts due to related parties, borrowings, derivative financial instruments and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

*Market risk**(i) Foreign currency risk management*

During the Track Record Period, the majority of the Group's transactions and balances as at and for the Track Record Period were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

*(ii) Interest rate risk management*

The Group's exposure to cash flow interest rate risk in relation to variable-rate bank borrowing (see Note 22 for details of the borrowings). In relation to the variable-rate borrowings, the Group aims at keeping certain proportion of its borrowings at fixed rates. In order to limit its exposure to interest rate fluctuation, variable to fixed interest rate swaps have been utilised from time to time when appropriate, to fix a portion of interest costs over a period of time. The Group continuously evaluates its debt portfolio, including interest rate swaps to achieve a desired proportion of variable and fixed rate debt based on its review of interest rate movement.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's bank borrowings.

The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period and the interest rates of bank deposits are not expected to change significantly.

*Sensitivity analysis*

The sensitivity analysis below have been determined based on the exposure to interest rates for interest bearing bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase and decrease are used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate on borrowings had been 100 basis points higher and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 would decrease by approximately HK\$135,000, HK\$137,000, HK\$406,000 and HK\$133,000 respectively as a result of the Group's exposure to interest rates on its variable-rate bank borrowings. If HIBOR/Prime Rate/Standard Bills Rate had been 100 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the post-tax profit.

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year ended exposure does not reflect the exposure during the year.

*(iii) Price risk*

As the Group has no significant investments in financial assets at fair value through profit or loss or available-for-sale financial assets, the Group is not exposed to significant equity price risk.

In virtue of the exposure on equity price risk being minimal, the respective quantitative disclosures have not been prepared.

*Credit risk management*

At the end of each of the Track Record Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management consider that the Group's credit risk is significantly reduced.

The Group's credit risk exposure is spread over a number of customers, accordingly, the Group has no significant concentration of credit risk on a single customer in this respect.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

*Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

At 31 March 2014, 2015 and 2016 and 31 July 2016, the Group has available unutilised bank overdrafts and loan facilities with an aggregated amount of approximately HK\$3,510,000, HK\$24,440,000, HK\$11,303,000 and HK\$8,253,000 respectively.

*Liquidity tables*

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 loans 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.

	Weighted average effective interest rate	On demand or within one year <i>HK\$'000</i>	One to five years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
<b>Non-derivative financial liabilities</b>					
<b>As at 31 March 2014</b>					
Trade and other payables	–	48,362	–	48,362	48,362
Amounts due to related parties	–	7,785	–	7,785	7,785
Borrowings	6.3%	10,904	–	10,904	10,904
Obligations under finance leases	5.6%	384	–	384	376
		<u>67,435</u>	<u>–</u>	<u>67,435</u>	<u>67,427</u>



	Weighted average effective interest rate	On demand or within one year <i>HK\$'000</i>	One to five years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
<b>As at 31 March 2015</b>					
Trade and other payables	–	48,911	–	48,911	48,911
Amounts due to related parties	–	10,132	–	10,132	10,132
Borrowings	6.7%	17,642	–	17,642	17,642
Obligations under finance leases	3.5%	827	746	1,573	1,502
		<u>77,512</u>	<u>746</u>	<u>78,258</u>	<u>78,187</u>
<b>As at 31 March 2016</b>					
Trade and other payables	–	57,384	–	57,384	57,384
Amounts due to related parties	–	6,619	–	6,619	6,619
Borrowings	6.7%	41,500	–	41,500	41,500
Obligations under finance leases	3.8%	619	799	1,418	1,326
		<u>106,122</u>	<u>799</u>	<u>106,921</u>	<u>106,829</u>
<b>As at 31 July 2016</b>					
Trade and other payables	–	66,421	–	66,421	66,421
Amounts due to related parties	–	6,618	–	6,618	6,618
Borrowings	7.2%	36,000	–	36,000	36,000
Obligations under finance leases	3.8%	552	610	1,162	1,090
		<u>109,591</u>	<u>610</u>	<u>110,201</u>	<u>110,129</u>

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's bank loans based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Weighted average effective interest rate	Within one year <i>HK\$'000</i>	One to five years <i>HK\$'000</i>	Over five years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
<b>Bank loans – secured</b>						
As at 31 March 2014	6.3%	<u>3,473</u>	<u>5,957</u>	<u>2,885</u>	<u>12,315</u>	<u>10,904</u>
As at 31 March 2015	6.7%	<u>8,084</u>	<u>7,063</u>	<u>4,159</u>	<u>19,306</u>	<u>17,642</u>
As at 31 March 2016	6.7%	<u>27,858</u>	<u>12,562</u>	<u>3,029</u>	<u>43,449</u>	<u>41,500</u>
As at 31 July 2016	7.2%	<u>23,447</u>	<u>11,642</u>	<u>2,726</u>	<u>37,815</u>	<u>36,000</u>

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

	Within one year <i>HK\$'000</i>	One to five years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
<b>Derivative financial liabilities</b>				
<b>As at 31 March 2014</b>				
Interest rate swap contracts	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>As at 31 March 2015</b>				
Interest rate swap contracts	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>As at 31 March 2016</b>				
Interest rate swap contracts	<u>200</u>	<u>272</u>	<u>472</u>	<u>472</u>
<b>As at 31 July 2016</b>				
Interest rate swap contracts	<u>182</u>	<u>220</u>	<u>402</u>	<u>402</u>

## (c) Fair value measurements of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market prices respectively; and
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The following table presents the Group's financial liabilities that are measured at fair value as at 31 March 2016 and 31 July 2016.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2016				
<b>Financial liabilities</b>				
Derivative financial instruments				
– interest rate swap contracts	–	472	–	472
	<u>–</u>	<u>472</u>	<u>–</u>	<u>472</u>
As at 31 July 2016				
<b>Financial liabilities</b>				
Derivative financial instruments				
– interest rate swap contracts	–	402	–	402
	<u>–</u>	<u>402</u>	<u>–</u>	<u>402</u>

There were no investments classified under Level 3 and there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the Track Record Period.

**B. DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2017 is expected to be approximately HK\$9,086,000.

**C. SUBSEQUENT EVENTS**

The following significant events took place subsequent to 31 July 2016:

- (i) The Company adopted a Share Option Scheme on 17 January 2017, a summary of the terms and conditions of which are set out in the section headed "D. Share Option Scheme" in Appendix IV to the Prospectus.
- (ii) On 17 January 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each.
- (iii) On 17 January 2017, an interim dividend of HK\$128 million was appropriated to the then shareholders of the Company.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2016.

Yours faithfully,

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*  
**Chan Ching Pang**  
Practising Certificate Number: P05746  
Hong Kong

## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the financial information of our Group for the Track Record Period prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

### A.    UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed Share Offer on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 31 July 2016, as if the Share Offer had taken place on 31 July 2016.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company had the Share Offer been completed as at 31 July 2016 or at any future dates. It is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2016 <i>(Note 1)</i> HK\$'000	Estimated net proceeds from the Share Offer <i>(Note 2)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 July 2016 HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Note 3)</i> HK\$
Based on an Offer Price of HK\$0.53 per Share	137,320	99,192	236,512	0.197
Based on an Offer Price of HK\$0.67 per Share	137,320	128,071	265,391	0.221

Notes:

- 1    The audited consolidated net tangible assets attributable to owners of our Company as at 31 July 2016 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company of approximately HK\$137,320,000.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- 2      The estimated net proceeds from the Share Offer are based on 216,000,000 new Shares offered under the Share Offer and the Offer Price of HK\$0.53 and HK\$0.67 per Share, respectively, after deduction of the underwriting commission and other related expenses (excluding listing expenses of approximately HK\$5,765,000 which have been accounted for prior to 31 July 2016) payable by our Company.
  
- 3      The unaudited pro forma adjusted consolidated net tangible assets per Share are arrived at after the adjustments as described in Note 2 above and on the basis that 1,200,000,000 Shares are in issue and outstanding assuming that the Share Offer and Capitalisation Issue had been completed as set out in the section headed “Share Capital” in this prospectus on 31 July 2016.
  
- 4      The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 July 2016). In particular, on 17 January 2017, an interim dividend of HK\$128 million was declared to the then shareholders of the Company. The unaudited pro forma adjusted consolidated net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividend of HK\$128 million appropriated in January 2017 been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$0.090 and HK\$0.114, assuming the Offer Price of HK\$0.53 and HK\$0.67 per Share, respectively on the basis that 1,200,000,000 Shares were in issue and that the interim dividend appropriated in January 2017, the Share Offer and the Capitalisation Issue had been completed on 31 July 2016.

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*The following is the text of a report received from our Company's Reporting Accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.*

### **B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

25 January 2017

To the Directors  
Royal Deluxe Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Royal Deluxe Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 July 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out in Section A of Appendix II to the prospectus issued by the Company dated 25 January 2017 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the "Share Offer") on the Group's financial position as at 31 July 2016 as if the Share Offer had taken place at 31 July 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the three years ended 31 March 2016 and the four months ended 31 July 2016, on which an accountants' report has been published.

#### **Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7, "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*", issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 July 2016 would have been as presented.



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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION

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A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*  
**Chan Ching Pang**  
Practising Certificate Number: P05746  
Hong Kong

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR  
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 April 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
  
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

**2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 17 January 2017. A summary of certain provisions of the Articles is set out below.

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless

the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors***(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

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**APPENDIX III**                      **SUMMARY OF THE CONSTITUTION OF OUR  
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue



debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.



**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among 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 among the members as such are 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR  
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 12 April 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 11 May 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.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.



**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to The Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 April 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 May 2016 and our principal place of business in Hong Kong is at Unit A, 26/F Legend Tower, 7 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. CFN Lawyers in association with Broad & Bright of Room 4124, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber on 12 April 2016, which was subsequently transferred to Wang K M on the same date.
- (b) Pursuant to the Reorganisation and as a consideration for the acquisition by MT Construction, MT Engineering and MT Technology of the entire issued share capital of Ming Tai Construction, Ming Tai CE and Genuine Technology, respectively, from Mr. Joseph Wang, 9,999 nil-paid Shares were allotted and issued to Wang K M on 27 June 2016.
- (c) Pursuant to the Reorganisation and as a consideration for the acquisition by our Company of the entire issued share capital of MT Construction, MT Engineering and MT Technology from Wang K M, on 28 June 2016, 10,000 nil-paid Shares held by Wang K M were credited as fully paid.
- (d) On 17 January 2017, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (e) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 1,200,000,000 Shares will be issued fully paid or credited as fully paid, and 800,000,000 Shares will remain unissued.

- (f) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of our Shareholders passed on 17 January 2017” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (g) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Written resolutions of our Shareholders passed on 17 January 2017**

On 17 January 2017, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum;
- (b) our Company conditionally approved and adopted the Articles;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$9,839,900 standing to the credit of the share premium account of our Company and to

appropriate such amount as capital to pay up in full at par 983,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 17 January 2017 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the Repurchase Mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Corporate Reorganisation**

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in paragraph headed “4. Corporate reorganisation” above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions of our Shareholders passed on 17 January 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.



*(iii) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

*(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

*(c) Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue after completion of the Share Offer, could accordingly result in up to 120,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

*(d) Funding of repurchase*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:





- (a) an agreement for the sale and purchase dated 27 June 2016 entered into between Mr. Wang Kei Ming as vendor, and MT Construction Limited as purchaser, in relation to the sale and purchase of 1,000,000 shares in the issued share capital of Ming Tai Construction Engineering Company Limited (明泰建築工程有限公司), in consideration of which Royal Deluxe Holdings Limited allotted and issued 3,333 nil-paid shares to Wang K M Limited;
- (b) an agreement for the sale and purchase dated 27 June 2016 entered into between Mr. Wang Kei Ming as vendor, and MT Engineering Limited as purchaser, in relation to the sale and purchase of 10,000 shares in the issued share capital of Ming Tai Civil Engineering Company Limited (明泰土木工程有限公司), in consideration of which Royal Deluxe Holdings Limited allotted and issued 3,333 nil-paid shares to Wang K M Limited;
- (c) an agreement for the sale and purchase dated 27 June 2016 entered into between Mr. Wang Kei Ming as vendor, and MT Technology Limited as purchaser, in relation to the sale and purchase of 10,000 shares in the issued share capital of Genuine Treasure Construction Technology Company Limited (俊川建築科技有限公司), in consideration of which Royal Deluxe Holdings Limited allotted and issued 3,333 nil-paid shares to Wang K M Limited;

- (d) a share swap deed dated 28 June 2016 entered into between (i) Wang K M Limited; (ii) Royal Deluxe Holdings Limited; (iii) MT Engineering Limited; (iv) MT Construction Limited; (v) MT Technology Limited; and (vi) Mr. Wang Kei Ming in relation to the transfer of the entire issued share capital in each of MT Construction Limited, MT Engineering Limited and MT Technology Limited;
- (e) an agreement for the sale and purchase dated 29 June 2016 entered into between (i) Bright Team Limited, (ii) Royal Deluxe Holdings Limited, (iii) Wang K M Limited; and (iv) Mr. Wang Kei Ming in relation to the sale and purchase of 5% of the issued share capital of Royal Deluxe Holdings Limited at a total consideration of HK\$20,000,000;
- (f) an agreement for the sale and purchase dated 29 June 2016 entered into between (i) K C Limited, (ii) Royal Deluxe Holdings Limited, (iii) Wang K M Limited; and (iv) Mr. Wang Kei Ming in relation to the sale and purchase of 5% of the issued share capital of Royal Deluxe Holdings Limited at a total consideration of HK\$20,000,000;
- (g) the Deed of Non-competition dated 17 January 2017 given by Mr. Wang Kei Ming and Wang K M Limited in favour of Royal Deluxe Holdings Limited (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (h) the Deed of Indemnity dated 17 January 2017 given by Mr. Wang Kei Ming and Wang K M Limited in favour of Royal Deluxe Holdings Limited (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “E. Other information – 1. Tax and other indemnities” in this appendix; and
- (i) the Public Offer Underwriting Agreement dated 24 January 2017 relating to the Public Offer and entered into between Royal Deluxe Holdings Limited, our executive Directors, our Controlling Shareholders, the Vendor, the Joint Lead Managers and the Public Offer Underwriters, details of which are summarized in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer” in this prospectus.

## 2. Intellectual property rights

### (a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks and series of trademark in Hong Kong:

No.	Trademark	Registered owner	Class(es)	Registration number	Duration
1.		Ming Tai CE	37	303666763	22 January 2016 – 21 January 2026
2.		Ming Tai Construction	6, 19, 37, 42	303666736	22 January 2016 – 21 January 2026
3.		Ming Tai Construction	37	303666718	22 January 2016 – 21 January 2026
4.		Genuine Technology	6, 19, 37, 42	303783655	20 May 2016 – 19 May 2026

### (b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name:

Registrant	Domain Name	Duration
Ming Tai Construction	www.ming-tai.com.hk	2 August 2003 – 6 August 2018
Genuine Technology	www.royal-deluxe.com	22 April 2016 – 14 May 2017

### (c) Patents

Set out below are the patents registered by our Group in Hong Kong and the PRC that we consider material to our operation:

No.	Description of patent	Registered owner	Place of registration	Registration number	Duration
1.	Coding process system of architectural aluminum template system (建築鋁模板系統的編碼處理系統)	Genuine Technology	Hong Kong	HK1203295	9 July 2015 – 8 July 2023
2.	A commercial building construction system (一種商業大廈建造系統)	Genuine Technology	Hong Kong	HK1206916	19 October 2015 – 18 October 2023
3.	A commercial building construction system (一種商業大廈建造系統)	Genuine Technology	Hong Kong	HK1206917	19 October 2015 – 18 October 2023

No.	Description of patent	Registered owner	Place of registration	Registration number	Duration
4.	A new construction system of commercial building (一種商業大廈新型建造系統)	Genuine Technology	Hong Kong	HK1206918	19 October 2015 – 18 October 2023
5.	A building construction system (一種建築建造系統)	Genuine Technology	Hong Kong	HK1206919	19 October 2015 – 18 October 2023
6.	A building construction system (一種建築建造系統)	Genuine Technology	Hong Kong	HK1206920	19 October 2015 – 18 October 2023
7.	A building construction system (一種建築建造系統)	Genuine Technology	Hong Kong	HK1206921	19 October 2015 – 18 October 2023
8.	A building construction system (一種建築建造系統)	Genuine Technology	Hong Kong	HK1206922	19 October 2015 – 18 October 2023
9.	A building construction system (一種建築建造系統)	Genuine Technology	Hong Kong	HK1206923	19 October 2015 – 18 October 2023
10.	Commercial building construction system (商業大廈建造系統)	Genuine Technology	PRC	ZL 2015 2 0595190.6	7 August 2015 – 6 August 2025
11.	Commercial building construction system (商業大廈建造系統)	Genuine Technology	PRC	ZL 2015 2 0595208.2	7 August 2015 – 6 August 2025
12.	Coding system for aluminum formwork construction system (建築鋁模板系統的編碼處理系統)	Genuine Technology	PRC	ZL 2015 2 0408849.2	12 June 2015 – 11 June 2025
13.	Building construction system (建築建造系統)	Genuine Technology	PRC	ZL 2015 2 0595564.4	7 August 2015 – 6 August 2025
14.	Building construction system (建築建造系統)	Genuine Technology	PRC	ZL 2015 2 0595664.7	7 August 2015 – 6 August 2025
15.	Building construction system (建築建造系統)	Genuine Technology	PRC	ZL 2015 2 0595640.1	7 August 2015 – 6 August 2025
16.	Building construction system (建築建造系統)	Genuine Technology	PRC	ZL 2015 2 0595510.8	7 August 2015 – 6 August 2025
17.	Building construction system (建築建造系統)	Genuine Technology	PRC	ZL 2015 2 0595671.7	7 August 2015 – 6 August 2025
18.	New commercial building construction system (商業大廈新型建造系統)	Genuine Technology	PRC	ZL 2015 2 0595210.X	7 August 2015 – 6 August 2025
19.	A aluminum formwork construction system (一種建築鋁模板系統)	Genuine Technology	PRC	ZL 2016 2 0502714.7	27 May 2016 – 26 May 2026

As at the Latest Practicable Date, we have also applied for the registration of one patent in six regions, namely India, Macau, Malaysia, Saudi Arabia, Singapore and the United Arab Emirates.

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of interests**

*(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

<b>Name of Director</b>	<b>Capacity/Nature</b>	<b>Number of Shares held/ Interested</b> <i>(Note 1)</i>	<b>Percentage of interest</b>
Mr. Joseph Wang <i>(Note 2)</i>	Interested in a controlled corporation	801,600,000	66.8%

*Notes:*

- (1) All interests stated are long positions.
- (2) Mr. Joseph Wang beneficially owns the entire issued share capital of Wang K M. Therefore, Mr. Joseph Wang is deemed, or taken to be, interested in all the Shares held by Wang K M for the purpose of the SFO. Mr. Wang is the sole director of Wang K M.

*(b) Interests of substantial and other Shareholders in our Shares and underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2

and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held/ interested <i>(Note 1)</i>	Percentage of interest
Wang K M	Beneficial Owner	801,600,000	66.8%
Ms. Chao Lai Heng <i>(Note 2)</i>	Interest of Spouse	801,600,000	66.8%

*Notes:*

- (1) All interests stated are long positions.
- (2) Ms. Chao Lai Heng is the spouse of Mr. Joseph Wang. Under the SFO, Ms. Chao Lai Heng is deemed to be interested in the same number of Shares in which Mr. Joseph Wang is interested.

## 2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$3,187,000, HK\$3,970,000, HK\$4,824,000 and HK\$2,972,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$9,086,000.

- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<b>Executive Director(s)</b>	
Mr. Joseph Wang	8,400,000
Mr. Wang Yu Hin	960,000
<b>Independent non-executive Directors</b>	
Mr. Lam Wai Ho	180,000
Mr. Lai Ah Ming Leon	180,000
Mr. Kwong Ping Man	180,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

#### **4. Fees or commission received**

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

#### **5. Related party transactions**

Details of the related party transactions are set out under notes 29 to the Accountants' Report set out in Appendix I to this prospectus.

#### **6. Disclaimers**

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed "7. Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the



date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors or the experts named in the paragraph headed “7. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest subcontractors of our Group.

**D. SHARE OPTION SCHEME****1. Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	17 January 2017, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

**2. Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 17 January 2017:

*(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

*(b) who may join and basis of eligibility*

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

*(c) Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

*(d) Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

*(e) Maximum number of Shares*

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 120,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 120,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the

terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

*(f) Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(g) Grant of options to certain connected persons*

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of

all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of our Shares in issue; and
- (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

*(h) Restrictions on the times of grant of options*

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
  - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
  - (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
  - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

*(i) Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

*(j) Performance targets*

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

*(k) Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

*(l) Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

*(m) Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(n) Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

*(o) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

*(p) Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

*(q) Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

*(r) Rights on winding-up*

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(s) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavor to



procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

*(t) Lapse of options*

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

*(u) Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

*(v) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

*(w) Alteration to the Share Option Scheme*

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

*(x) Termination to the Share Option Scheme*

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

*(y) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

### 3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

## E. OTHER INFORMATION

### 1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (B. Further information about the business of our Group – 1. Summary of material contracts) of the paragraph headed “1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which our Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which our Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which our Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 July 2016 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

**2. Litigation**

Save as disclosed in the section headed “Business – Litigation and potential claims” of 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 is known to our Directors to be pending or threatened against any member of our Group.

**3. Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sponsor, pursuant to which our Company agreed to pay HK\$5.5 million to the Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

**4. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$33,540 and are payable by our Company.

**5. Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

**6. Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Ipsos Limited	Market research consultant
Antonio & Clayton CPA Limited	Internal control consultant

**7. Consents of experts**

Each of Frontpage Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby, Ipsos Limited and Antonio & Clayton CPA Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Taxation of holders of Shares***(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

*(b) Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**10. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

**11. No material adverse change**

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 July 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

**12. Particulars of the Vendor**

The particulars of the Vendor are set out as follows:

*Wang K M*

Name:	Wang K M Limited
Description:	A company incorporated in the BVI with limited liability on 15 March 2016
Registered Address:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Shareholder:	Wholly-owned by Mr. Joseph Wang
Number of Sale Shares to be sold:	84,000,000

**13. Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
  - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
  - (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save as disclosed in the section headed “Underwriting” of this prospectus, none of the parties listed in the paragraph headed “7. Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) Our Group has no outstanding convertible debt securities.

- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
  
- (i) The English text of this prospectus shall prevail over the Chinese text.

**14. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.



**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **PINK** Application Forms;
- (b) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (d) statement of particulars of the Vendor.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad and Bright at Room 4124, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of the companies comprising our Group for the three years ended 31 March 2016 and for the four months ended 31 July 2016 (or for the period since their respective dates of incorporation where there is a shorter period);
- (d) the letter of advice prepared by Appleby, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the legal opinion issued by CFN Lawyers in association with Broad and Bright;
- (f) the material contracts referred to the section headed “Statutory and General Information – B. Further Information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;

- (g) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;
- (h) the service contracts of our Directors referred to in the section headed “Statutory and General Information – C. Further information about substantial shareholder, directors and experts – 3. Directors’ remuneration” in Appendix IV to this prospectus;
- (i) the Companies Law;
- (j) the rules of the Share Option Scheme;
- (k) a statement of particulars of the Vendor; and
- (l) the industry report issued by Ipsos Limited.

**ROYAL DELUXE HOLDINGS LIMITED**  
**御 佳 控 股 有 限 公 司**