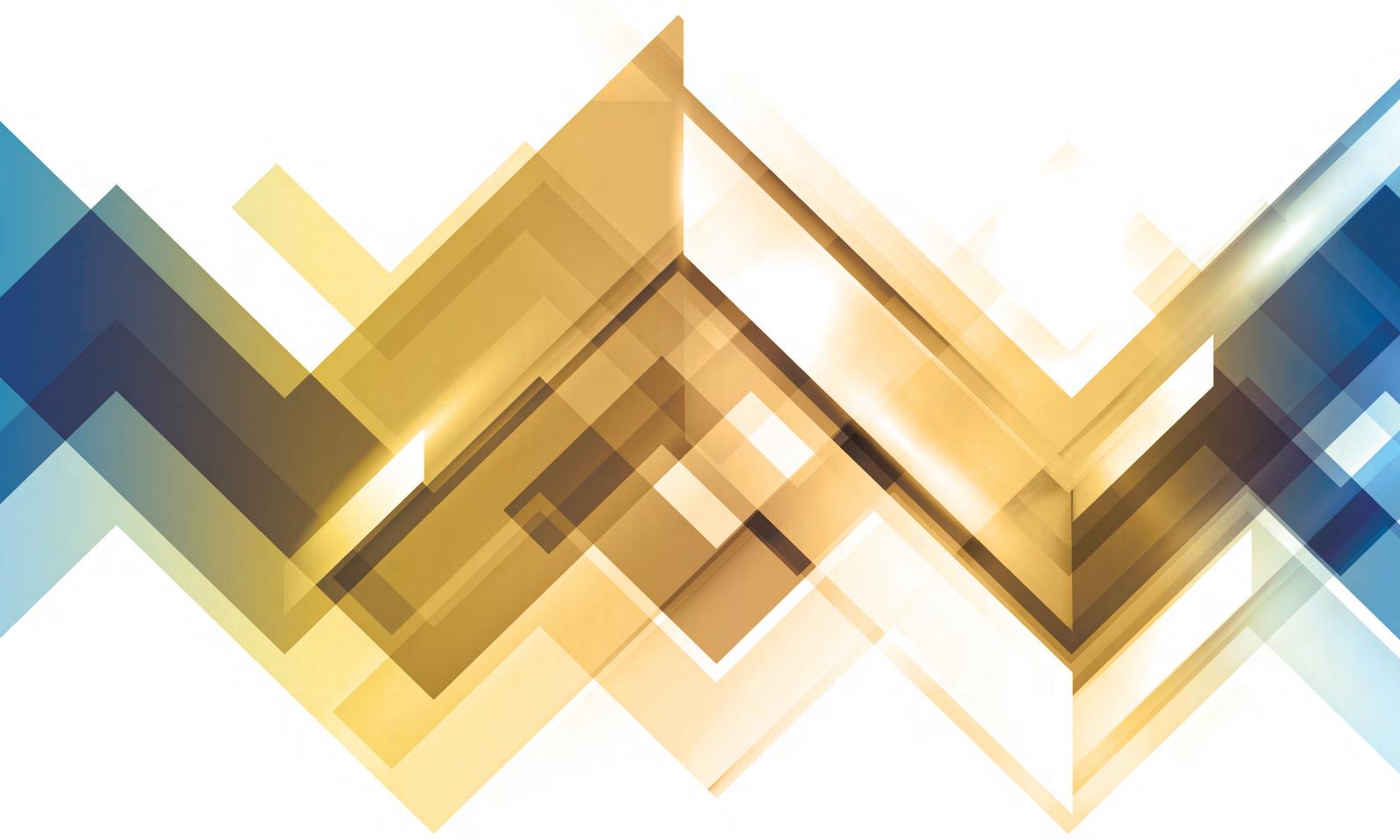


Silver Tide Holdings Limited

銀濤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1943



Sole Sponsor



Sole Bookrunner and Sole Lead Manager



IMPORTANT

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

Silver Tide Holdings Limited

銀濤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 250,000,000 Shares
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.54 per Offer Share and expected to be not less than HK\$0.50 per Offer Share (payable in full upon application in Hong Kong dollars and subject to refund, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 1943

Sole Sponsor



Sole Bookrunner and Sole Lead Manager



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

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

The final Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriter) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 21 June 2019, and, in any event, not later than Monday, 24 June 2019. The Offer Price will be not more than HK\$0.54 and is currently expected to be not less than HK\$0.50 unless otherwise announced.

The Sole Bookrunner (for itself and on behalf of the Underwriter) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus (which is HK\$0.50 to HK\$0.54 per Share) and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.silvertide.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

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

The obligations of the Underwriter under the Underwriting Agreements are subject to termination by the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriter) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

EXPECTED TIMETABLE

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

2019

(Note 1)

Application lists open (Note 2)	11:45 a.m. on Friday, 21 June
Latest time to give electronic application instructions to HKSCC (Note 3)	12:00 noon on Friday, 21 June
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 21 June
Application lists close	12:00 noon on Friday, 21 June
Expected Price Determination Date (Note 4)	Friday, 21 June
Announcement of 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 to be published on our website at www.silvertide.hk and the website of the Stock Exchange at www.hkexnews.hk on or before	Thursday, 27 June
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at www.silvertide.hk and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see "How to Apply for the Public Offer Shares – 10. Publication of results" in this prospectus) from	Thursday, 27 June
Results of allocations in the Public Offer will be available at www.ewhiteform.com.hk/results with a "search by ID" function from	Thursday, 27 June
Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer, on or before (Notes 5 and 6)	Thursday, 27 June
Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price paid for the application and wholly or partially unsuccessful applications pursuant to the Public Offer on or before (Notes 6 and 7)	Thursday, 27 June

EXPECTED TIMETABLE

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 28 June

Notes:

1. All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 21 June 2019, the application lists will not open and close on that day. For further details, please see “How to Apply for the Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to “How to Apply for the Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Friday, 21 June 2019 and, in any event, not later than Monday, 24 June 2019. If, for any reason, the Offer Price is not agreed by Monday, 24 June 2019 between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter), the Share Offer will not proceed and will lapse.
5. Share certificates are expected to be issued on or before Thursday, 27 June 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 28 June 2019 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants applying for 1,000,000 Offer Shares or more on **WHITE** Application Forms who have provided all the information required by the Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or any other day that we publish in the newspaper as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

Applicants applying for 1,000,000 Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if any) and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to Apply for the Public Offer Shares – 13. Despatch/collection of share certificates and refund monies” in this prospectus.

7. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.54 per Offer Share.

EXPECTED TIMETABLE

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any jurisdiction other than Hong Kong or in any other circumstances. The offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	11
Glossary of Technical Terms	21
Forward-looking Statements	23
Risk Factors	25
Waiver from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance	44
Information about this Prospectus and the Share Offer	48
Directors and Parties Involved in the Share Offer	52
Corporate Information	56

CONTENTS

	<i>Page</i>
Industry Overview	58
Regulatory Overview	68
History, Reorganisation and Corporate Structure	84
Business	93
Directors and Senior Management	183
Relationship with Controlling Shareholders	197
Substantial Shareholders	203
Share Capital	204
Financial Information	208
Future Plans and Use of Proceeds	265
Underwriting	276
Structure and Conditions of the Share Offer	284
How to Apply for the Public Offer Shares	290
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Unaudited Preliminary Financial Information for the year ended 31 March 2019	III-1
Appendix IV – Summary of the Constitution of our Company and Cayman Islands Company Law	IV-1
Appendix V – Statutory and General Information	V-1
Appendix VI – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

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

BUSINESS OVERVIEW

Our Group is a subcontractor in the construction industry mainly providing formwork works services to both the public and private sectors in Hong Kong. The formwork works undertaken by our Group mainly include (i) traditional formwork using timber and plywood; and (ii) system formwork using aluminium and steel. Upon our customers’ request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering. The table below sets out a breakdown of our revenue by types of works during the Track Record Period.

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Formwork works								
– Traditional formwork	147,004	73.7	306,991	81.1	74,100	20.5	38,564	12.9
– System formwork	–	–	–	–	128,092	35.4	51,170	17.1
– Traditional and system formwork	17,700	8.9	64,612	17.1	147,988	40.9	205,713	68.5
Other construction works (Note)	34,719	17.4	7,024	1.8	11,693	3.2	4,619	1.5
Total:	199,423	100	378,627	100	361,873	100	300,066	100

Note: Other construction works included A&A works, plastering and two projects entailing a combination of formwork works, concrete placing and/or reinforcement bar fixing.

During the Track Record Period, our projects’ ultimate owners come from both the private sector and public sector (including Government and statutory bodies). The table below sets out a breakdown of the revenue generated by project sector during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Private sector	123,758	62.1	203,284	53.7	340,532	94.1	266,848	88.9
Public sector	75,665	37.9	175,343	46.3	21,341	5.9	33,218	11.1
Total	199,423	100.0	378,627	100.0	361,873	100.0	300,066	100.0

Hop Fat Yuk Ying, our sole operating subsidiary, is registered under the “Concreting Formwork” category under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) maintained by the Construction Industry Council. Our services of formwork works typically include designing the formwork

SUMMARY

support structure, carrying out formwork erection and striking works on site in accordance with the drawings and specifications provided by our customers. We normally engage subcontractors to carry out reinforcement bar fixing, formwork erection, formwork striking, concrete placing and plastering on site. We mainly focus on: (a) the supervision of works carried out by our subcontractors; (b) designing the formwork support structures; (c) the overall planning and management of work schedules and arrangements in relation to the workers, materials, equipment and other resources required at construction sites.

OUR PROJECTS

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

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018	Subsequent to the Track Record Period and up to the Latest Practicable Date
	<i>HK\$'000</i>	<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	92,574	269,333	209,872	509,650	723,255
Add: initial contract sum of new projects	358,489	240,835	730,638	504,819	155,002
Add: variation orders	19,346	79,790	17,661	8,302	6,280
Add: adjustments in the contract sum due to remeasurement or changes in work scope	(1,653)	(1,459)	(86,648)	550	(48,316)
Less: revenue recognised in the financial year/period	<u>(199,423)</u>	<u>(378,627)</u>	<u>(361,873)</u>	<u>(300,066)</u>	<u>(188,383)</u>
Outstanding contract value on hand as at the year/period end date	<u>269,333</u>	<u>209,872</u>	<u>509,650</u>	<u>723,255</u>	<u>647,838</u>

CUSTOMERS

During the Track Record Period, our customers are principally main contractors in the construction industry in Hong Kong. For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, our Group's five largest customers by contracting party accounted for approximately 99.5%, 99.6%, 85.5% and 82.5% of our total revenue, respectively, with the largest customer by contracting party accounting for approximately 28.3%, 44.7%, 36.8% and 28.3% of our total revenue, respectively. For further details of our major customers, please refer to the paragraph headed "Business – Customers – Major customers" in this prospectus.

SUMMARY

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors of goods and services principally included: (i) our subcontractors for carrying out site works; (ii) suppliers of construction materials and consumables such as timber, plywood, aluminium formwork, steel formwork and ironmongery; (iii) suppliers for rental of metal scaffold equipment and other equipment; and (iv) suppliers of other miscellaneous services such as transportation of construction materials.

Depending on our agreements with our customers and subcontractors, construction materials such as timber, plywood, aluminium formwork and steel formwork as well as consumables and equipment required for carrying out the works such as electric saw, electric drill and other cutting machine may be provided by our customers, our subcontractors or us, while our subcontractors generally do not provide metal scaffold equipment under their agreements with us. Please refer to the paragraph headed “Business – Business model and our operation – Procurement of construction materials and rental of equipment” for further details.

Costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 32.9%, 34.4%, 19.2% and 17.8% of our total purchase costs (excluding subcontracting charges), respectively, for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 and the costs incurred for our five largest suppliers (excluding our subcontractors) for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 accounted for approximately 76.8%, 74.8%, 69.4% and 69.5% of our total purchase costs (excluding subcontracting charges), respectively. As our customers engage us on a project-by-project basis, we do not enter into any long-term agreement with our suppliers. When materials are required during the project execution, a purchase order is generally prepared by us and sent to our suppliers.

As we primarily focus on project management and planning, we normally engage subcontractors to perform the on-site construction works. During the Track Record Period, our subcontracted works principally include formwork erection and striking works. For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, the percentage of our Group’s subcontracting charges incurred to our Group’s largest subcontractor amounted to approximately 21.9%, 37.9%, 22.0% and 24.0%, respectively, while the percentage attributable to our Group’s five largest subcontractors amounted to approximately 66.6%, 77.8%, 51.8% and 64.4%, respectively.

COMPETITIVE LANDSCAPE

As at 31 March 2019, there were 877 subcontractors on the list of registered subcontractors under “Concreting Formwork” category maintained by the Construction Industry Council. Although the formwork works industry is relatively fragmented, according to the Ipsos Report, it is estimated that our Group had a market share of approximately 6.5% in the formwork works industry, the calculation of which is based on our total revenue for FY2018/19 divided by the gross output value of the formwork works industry in Hong Kong in the calendar year 2018.

COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraph headed “Business – Competitive Strengths” in this prospectus:

- We have an established history and presence in the formwork works industry
- We have a proven track record in performing a variety of construction projects
- We have stable and long-term relationships with major customers, suppliers and subcontractors
- We have a strong and experienced management team
- We have stringent quality control, high safety standard and environmental impact control

SUMMARY

BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth, further strengthen our position as an established subcontractor for formwork works in Hong Kong and create value for our Shareholders over the long term by executing the following strategies:

- Expand our market share and formwork work capacity
- Purchase our own metal scaffold equipment
- Strengthen our manpower

For more details on our business strategies, please refer to the paragraph headed “Business – Business strategies” in this prospectus.

MARKETING AND PRICING POLICY

During the Track Record Period, our business opportunities were generally awarded by way of invitation to tender. Our Directors consider that our relationship with our customers, expertise and reputation in the industry and previous job experience are the key factors to secure future projects. Our executive Directors are generally responsible for maintaining our customers’ relationship and keeping abreast of market developments and potential business opportunities.

Our pricing is determined on a cost-plus basis varying from project to project. In preparing the pricing of a tender, we place emphasis on certain factors including: (i) the estimated number and types of workers required; (ii) the methodology and complexity of the project; (iii) the availability of our manpower and resources; (iv) the completion time requested by customers; (v) any further subcontracting work expected to be necessary; (vi) the overall cost in undertaking the job; (vii) the past prices offered to the customers; (viii) the prevailing market conditions; (ix) the specifications stated in the tender document; and (x) the historical relationship with the customer and the prospect of obtaining future contracts from the customer. Please refer to the paragraph headed “Business – Customers – Pricing policy” in this prospectus for further details on our pricing policy.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), each of Mr. CM Ip and Silver Tide Enterprises will together control 75% of the issued Shares of our Company. Silver Tide Enterprises is an investment holding company wholly-owned by Mr. CM Ip. For the purpose of the Listing Rules, Mr. CM Ip and Silver Tide Enterprises are our Controlling Shareholders. Each of Mr. CM Ip and Silver Tide Enterprises confirms that he or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group. Please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus for further details.

Our Controlling Shareholder, Mr. CM Ip, is our executive Director, chief executive officer and chairman of the Board. For further details, please refer to the section headed “Directors and Senior Management” in this prospectus.

SUMMARY

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth the key operational and financial data during the Track Record Period:

	FY2015/16/ As at 31 March 2016	FY2016/17/ As at 31 March 2017	FY2017/18/ As at 31 March 2018	For the nine months ended 31 December 2018/As at 31 December 2018
<i>(Expressed in HK\$'000 except tender success rate and financial ratios)</i>				
Results of operations				
Revenue	199,423	378,627	361,873	300,066
Gross profit	27,481	29,539	53,402	45,534
Profit before tax	21,708	21,956	44,712	24,978
Profit and total comprehensive income for the year	18,072	18,359	37,222	18,845
Cash flows				
Operating cash flows before movements in working capital	22,008	22,910	45,562	25,822
Net cash from/(used in) operating activities	(4,821)	24,897	12,787	(20,118)
Net cash from/(used in) investing activities	(7,884)	(298)	(3,444)	3,663
Net cash from/(used in) financing activities	9,535	6,996	10,877	(14,392)
Net increase/(decrease) in cash and cash equivalents	(3,170)	31,595	20,220	(30,847)
Tender success rate				
Number of tenders submitted	18	30	42	27
Number of successful tenders	5	5	16	6
Tender success rate (<i>Note</i>)	27.8%	16.7%	38.1%	22.2%
Financial position				
Total current assets	96,529	142,942	201,378	184,458
Total current liabilities	45,006	73,124	95,705	61,281
Net current assets	51,523	69,818	105,673	123,177
Key financial ratios				
Gross profit margin	13.8%	7.8%	14.8%	15.2%
Net profit margin	9.1%	4.8%	10.3%	6.3%
Return on equity	34.9%	26.2%	35.1%	15.1%
Return on total assets	18.7%	12.8%	18.4%	10.1%
Current ratio	2.1	2.0	2.1	3.0
Gearing ratio	27.9%	52.2%	33.0%	17.0%
Interest coverage	211.8	28.3	76.7	40.6

Note: Tender success rate for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 are calculated based on the tender submission date, instead of the actual dates when we receive the tender results.

SUMMARY

Our revenue increased from approximately HK\$199.4 million for FY2015/16 to approximately HK\$378.6 million for FY2016/17, mainly attributable to two sizeable projects which commenced in the second half of FY2015/16 with substantial amount of works performed during FY2016/17. The revenue derived from such two projects during each of FY2015/16 and FY2016/17 were approximately HK\$53.5 million and HK\$247.7 million, respectively. Our revenue decreased from approximately HK\$378.6 million for FY2016/17 to approximately HK\$361.9 million for FY2017/18, mainly due to a lower amount of recognised revenue from the Hong Kong Children's Hospital project which was due to our actual works progress as certified by the customer, while new projects commenced in FY2017/18 and several of these projects were at their initial start-up stage resulting in lesser actual work done during FY2017/18. Our revenue increased from approximately HK\$249.7 million for the nine months ended 31 December 2017 to approximately HK\$300.1 million for the nine months ended 31 December 2018, mainly due to substantial amount of revenue of approximately HK\$83.0 million was derived from a project with an initial contract sum of approximately HK\$142.2 million that commenced in April 2018, partially offset by a decrease in revenue derived from projects which contributed revenue for the nine months ended 31 December 2017 and 2018.

Our gross profit increased from approximately HK\$27.5 million for FY2015/16 to approximately HK\$29.5 million for FY2016/17, while our gross profit margin decreased from approximately 13.8% for FY2015/16 to approximately 7.8% for FY2016/17. The increase in our gross profit was primarily due to the increase in our revenue as discussed above, partially offset by the decrease in our gross profit margin. We recorded a decrease in our gross profit margin for FY2016/17 mainly because it was negatively affected by the Hong Kong Children's Hospital project as the profit margin for such project was relatively lower than that of our other projects, mainly because additional costs were incurred as workers needed to work overtime and at night to meet the schedule as requested by Customer C. Our gross profit increased from approximately HK\$29.5 million for FY2016/17 to approximately HK\$53.4 million for FY2017/18, while our gross profit margin increased from approximately 7.8% in FY2016/17 to approximately 14.8% in FY2017/18. Despite a decrease in revenue, our gross profit increased primarily because of the increase in gross profit margin for FY2017/18 as compared to that for FY2016/17. The gross profit margin for FY2016/17 was lower than that for FY2017/18 because it was negatively affected by the Hong Kong Children's Hospital project as mentioned above. Our gross profit increased from approximately HK\$39.5 million for the nine months ended 31 December 2017 to approximately HK\$45.5 million for the nine months ended 31 December 2018, representing an increase of approximately 15.2%. The increase in our gross profit was mainly due to the increase in our revenue during the nine months ended 31 December 2018 as discussed above and the decrease in our gross profit margin for the nine months ended 31 December 2018 which is discussed below. Our gross profit margin decreased from approximately 15.8% for the nine months ended 31 December 2017 to approximately 15.2% for the nine months ended 31 December 2018. Such decrease was mainly because a sizeable project with an initial contract sum of approximately HK\$177.0 million recorded a higher than average gross profit margin for the nine months ended 31 December 2017 and 2018 which led to an overall higher profit margin for the periods, and, as the revenue derived from such project for the nine months ended 31 December 2018 was lower than that for the nine months ended 31 December 2017, our gross profit margin for the nine months ended 31 December 2018 was lower than that for the nine months ended 31 December 2017. Our Directors consider that since the customer of such project required the subcontractor to use a non-standard construction process in carrying out the works, more difficulty and complexity was involved in the project and therefore our Group set a higher price when tendering for such project, hence our Group recorded a relatively higher profit margin for such project.

For information on our net cash inflow from operating activities during the Track Record Period, please refer to the paragraph headed "Financial Information – Liquidity and capital resources – Cash flows" in this prospectus.

SUMMARY

Net cash outflow from operating activities for FY2015/16 and the nine months ended 31 December 2018 and measures to improve our cash flow position

For FY2015/16, we recorded profit before tax of approximately HK\$21.7 million and net cash used in operating activities of approximately HK\$4.8 million, which was mainly resulted from the increase in trade receivables of approximately HK\$25.1 million, and partially offset by (i) the increase in trade and retention payables of approximately HK\$15.6 million; and (ii) income tax paid of approximately HK\$10.0 million. The net cash used in operating activities was partly due to the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers. We generally grant a credit period of up to 60 days to our customers while the credit period granted to us by our suppliers is 30 days in general. As a result of the mismatch in credit periods, we settled payments to our suppliers faster than we received payments from our customers (for example, one of our sizeable projects (project P31 as disclosed in the paragraph headed “Business – Our projects – Projects on hand” in this prospectus) which commenced in April 2018 recorded trade receivables of approximately HK\$20.2 million as at 31 December 2018 regarding the work done in November 2018 while the corresponding costs had been paid).

For the nine months ended 31 December 2018, we recorded profit before tax of approximately HK\$25.0 million and net cash used in operating activities of approximately HK\$20.1 million, which was mainly resulted from (i) the decrease in contract liabilities of approximately HK\$12.9 million due to the utilisation of contract liabilities which we recorded cash inflows from such contract liabilities in the previous financial years; (ii) the decrease in trade and retention payables of approximately HK\$11.3 million; (iii) the increase in trade receivables of approximately HK\$9.8 million; and (iv) the increase in contract assets of approximately HK\$5.7 million, which was mainly due to the mismatch in credit periods as discussed in the previous paragraph. Our Group would follow up closely with the respective customer on the amount of certified revenue and our work done in order to avoid situations where there was mismatch of cash inflows and outflows of the same project upon the recognition of contract liabilities. Our Directors consider that the contract liabilities for that project was a one-off incident and we have not recorded contract liabilities for other projects during the Track Record Period.

Our Group has established the following policies with a view to improving our cash flow position in the future:

- (i) our quantity surveyors and purchase staff are responsible for documenting expected cash inflow from customers and cash outflow to suppliers and preparing cashflow plans for each project and submitting the cashflow plans to our finance department on a monthly basis;
- (ii) our finance department, led by the financial controller, will be responsible for reviewing the cashflow plans for all of our projects, and submitting the cashflow plans to our executive Directors for review; and
- (iii) in the event that there is expected net cash outflow for a particular month, we will (a) actively follow up with our customers for payment; (b) negotiate with our suppliers for an extension of credit term, if necessary; and (c) utilise our banking facilities to cover any deterioration in our cash flow position.

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

DIVIDEND

For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, we declared dividends of nil, nil, HK\$1.3 million and nil respectively to our then shareholders. For the dividend declared during FY2014/15, such amount had been settled during FY2017/18 and we financed the settlement of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements,

SUMMARY

and economic outlook. It is also subject to the approval of our Shareholders as well as the constitution of our Company. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our formwork works business in Hong Kong. We had 16 projects on hand as at the Latest Practicable Date that have been awarded to us but not completed. Please refer to the paragraph headed “Business – Our projects – Projects on hand” in this prospectus for further details. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded with two additional project with a total initial contract sum of approximately HK\$155 million. Our Directors consider that our Group is well-positioned to take on more projects and believe that the expected increase in construction of buildings, the Government’s support to increase land and housing supply and new development area projects will boost the demand for our services and will support our Group’s business growth. We expect to recognise revenue of approximately HK\$495.7 million and HK\$240.7 million for FY2019/20 and after FY2019/20, respectively, based on our projects on hand. The amount of revenue expected to be recognised is subject to actual progress, commencement and completion dates of our projects and existence of any variation orders.

We have prepared unaudited preliminary financial information for our Group as of and for the year ended 31 March 2019, which is set forth in Appendix III to this prospectus.

Non-HKFRS measure

As set forth in Appendix III to this prospectus, our consolidated profit and total comprehensive income attributable to owners of our Company for FY2018/19 was approximately HK\$29.3 million. We incurred non-recurring listing expenses for FY2018/19 and therefore we also present the adjusted profit for the year, which is a non-HKFRS measure, to supplement our profit and total comprehensive income for the year for FY2015/16, FY2016/17, FY2017/18 and FY2018/19.

We present such additional financial measure as it was used by our management to evaluate our financial performance by eliminating the impact of listing expenses, which is one-off in nature and was considered not indicative for evaluation of the actual performance of our business. Our Directors believe that such non-HKFRS measure provides additional information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth our adjusted profit for each of FY2015/16, FY2016/17, FY2017/18 and FY2018/19:

	FY2015/16	FY2016/17	FY2017/18	FY2018/19
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year	18,072	18,359	37,222	29,333
Add: Listing expenses	–	–	–	14,287
Adjusted profit for the year	<u>18,072</u>	<u>18,359</u>	<u>37,222</u>	<u>43,620</u>

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2018, and there has been no events since 31 December 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report set forth in Appendix I to this prospectus.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Share Offer) will be approximately HK\$91.4 million, assuming an Offer Price of HK\$0.52 per Share, being the mid-point of the Offer Price range stated in this prospectus. We currently intend to apply these net proceeds for the following purposes:

- Approximately HK\$82.2 million, or approximately 89.9% of the net proceeds will be used for financing the start-up costs for projects commencing from the calendar year 2019; and
- Approximately HK\$9.2 million, or approximately 10.1% of the net proceeds will be used for purchasing metal scaffold equipment and related expenses.

Please refer to the paragraph headed “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus.

SHARE OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.50 per Offer Share	Based on the maximum indicative Offer Price of HK\$0.54 per Offer Share
Market capitalisation at Listing <i>(Note 1)</i>	HK\$500 million	HK\$540 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <i>(Note 2)</i>	<u>HK\$0.22</u>	<u>HK\$0.23</u>

Notes:

1. The calculation of the market capitalisation of our Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Share Offer.
2. The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, our Group was involved in one ongoing employees' compensation claim and three ongoing personal injury claims resulting from four workplace accidents. Further, by mutual consents of the parties or notices of discontinuance filed by the applicant, 11 employees' compensation claims and two common law personal injury claims that were commenced against Hop Fat Yuk Ying as a respondent/defendant for accidents occurred during the Track Record Period and up to the Latest Practicable Date had been settled or discontinued. There were 27 workplace accidents occurred to our workers or workers arranged by our subcontractors during the Track Record Period and up to the Latest Practicable Date, out of which 18 accidents may give rise to potential employees' compensation claims and/or potential common law personal injury claims against our Group. Please refer to the paragraph headed “Business – Litigation and potential claims” in this prospectus for further details.

NON-COMPLIANCE

Our Group was convicted of ten summonses in respect of non-compliance incidents under the Factories and Industrial Undertakings Ordinance and its subsidiary legislations (including the Construction Sites (Safety) Regulations) which occurred during the Track Record Period. Such convictions resulted in an aggregate amount of fines of HK\$117,000, and we have paid the fines in full. In addition, following three random inspections carried out by the Labour Department in January 2019, February 2019 and May 2019 at three

SUMMARY

construction sites, six suspension notices and 20 improvement notices were issued by the Labour Department against Hop Fat Yuk Ying. For further details, please refer to the paragraph headed “Business – Non-compliance” in this prospectus.

RISK FACTORS

There are a number of risks and uncertainties involved in our operations and in connection with the Share Offer. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong; and (iv) risks relating to the Share Offer. Potential investors are advised to read the section headed “Risk Factors” in this prospectus carefully before making any investment decision in the Share Offer. We believe that our major risks include:

- Our business relies on successful tenders of formwork projects which are non-recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers
- We rely on subcontractors to complete our projects and our financial performance and our business may be affected by the availability and costs of our subcontractors
- We make estimation of our contract costs in our tenders and any failure to properly estimate the costs involved in the implementation of a project or delay in completion of any project may lead to cost overruns or even result in losses in our projects
- We have a concentrated customer base, and any decrease in the number of projects with our major customers would adversely affect our operations and financial results
- Our five largest subcontractors account for a substantial portion of our subcontracting charges
- Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our suppliers and subcontractors
- We are exposed to our customers’ credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full
- Increases in construction material costs, shortage or delay of delivery of certain construction materials and substandard construction materials may have an adverse impact on our financial results

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$38.6 million. Out of the amount of approximately HK\$38.6 million, approximately HK\$16.2 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$22.4 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$22.4 million that shall be charged to profit or loss, approximately HK\$14.3 million was incurred for FY2018/19, of which approximately HK\$12.9 million has been charged for the nine months ended 31 December 2018, and approximately HK\$8.1 million is expected to be incurred for FY2019/20. Expenses in relation to the Listing are non-recurring in nature. Our Group’s financial performance and results of operations for FY2018/19 and FY2019/20 has been/will be affected by the estimated expenses in relation to the Listing.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by the reporting accountants set out in Appendix I to this prospectus
“Application Form(s)”	WHITE and YELLOW application form(s), or where the context so requires, any one of them, to be used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 8 June 2019 to become effective upon the Listing, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 749,999,900 new Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company upon completion of the Share Offer as referred to in the paragraph headed “(A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 June 2019” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)

DEFINITIONS

“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“China” or “PRC”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (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”, “our”, “our Company”, “we” or “us”	Silver Tide Holdings Limited (銀濤控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 24 July 2018 under the Companies Law. The expressions “our”, “we” and “us” may be used to refer to our Company or our Group as the context may require
“Construction Industry Council” or “CIC”	the Construction Industry Council in Hong Kong, a statutory body established pursuant to the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Construction Sites (Safety) Regulations”	the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Silver Tide Enterprises and Mr. CM Ip

DEFINITIONS

“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Customer A”	collectively, Bordon Construction Company Limited and Chun Yip Construction Company Limited, being Independent Third Parties, which together were one of our Group’s five largest customers during the Track Record Period
“Customer Co-Make”	Co-Make (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability principally engaging in construction business, an Independent Third Party and is one of our five largest customers during the Track Record Period
“Customer Hip Hing”	collectively, Hip Hing Builders Company Limited, Hip Hing Construction Company Limited and Hip Hing Engineering Company Limited, all of which are subsidiaries of NWS Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 659) and Independent Third Parties. Customer Hip Hing is one of our Group’s five largest customers during the Track Record Period
“Deed of Indemnity”	the deed of indemnity dated 8 June 2019 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries), pursuant to which our Controlling Shareholders have given certain tax and other indemnities in favour of our Company, further particulars of which are set out in the paragraph headed “(E) Other information – 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 8 June 2019 and given by our Controlling Shareholders in favour of our Company (for itself and as trustee for and on behalf of our subsidiaries) regarding certain non-competition undertakings, further particulars of which are set out in the paragraph headed “Relationship with Controlling Shareholders – Non-competition undertaking” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)”	the director(s) of our Company

DEFINITIONS

“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 the Government
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Forest Honour”	Forest Honour Limited (森譽有限公司), a company incorporated in the BVI with limited liability on 27 March 2018 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“FY2015/16”	the year ended 31 March 2016
“FY2016/17”	the year ended 31 March 2017
“FY2017/18”	the year ended 31 March 2018
“FY2018/19”	the year ended 31 March 2019
“FY2019/20”	the year ending 31 March 2020
“Government” or “Hong Kong Government”	the government of Hong Kong
“Group”, “our”, “our Group”, “we” or “us”	our Company and its subsidiaries or any of them, or where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time. The expressions “our”, “we” and “us” may be used to refer to our Company or our Group as the context may require
“HKFRSs”	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong dollars”, “HK\$” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hop Fat Yuk Ying”	Hop Fat Yuk Ying Engineering Limited (合發旭英工程有限公司), a company incorporated in Hong Kong on 28 December 1990 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Housing Authority”	the Hong Kong Housing Authority, a statutory body established under the Housing Ordinance (Cap. 283 of the Laws of Hong Kong)
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent and not connected with (within the meaning of Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates
“Ipsos”	Ipsos Limited, a market research agency, which is an Independent Third Party
“Ipsos Report”	a market research report commissioned by us and prepared by Ipsos on the overview of the industry in which our Group operates
“IRD”	the Inland Revenue Department of the Government
“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Labour Department”	Labour Department of the Government
“Latest Practicable Date”	9 June 2019, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing

DEFINITIONS

“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an Independent Third Party
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about 28 June 2019, on which dealings in our Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 8 June 2019 to become effective upon the Listing, as amended from time to time
“Mr. CH Ip”	Mr. Ip Chi Hung (葉志雄先生), the son of Mr. CY Ip and Mrs. Ip, and the brother of Mr. CM Ip
“Mr. CM Ip”	Mr. Ip Chi Ming (葉志明先生), our executive Director, chief executive officer and chairman of the Board and one of our Controlling Shareholders, and the son of Mr. CY Ip and Mrs. Ip, and the brother of Mr. CH Ip
“Mr. CY Ip”	Mr. Ip Chi Yuk (葉枝旭先生), the spouse of Mrs. Ip and the father of Mr. CH Ip and Mr. CM Ip
“Mr. Lau”	Mr. Lau Woon Wing (劉煥榮先生), an executive Director
“Mr. Wong”	Mr. Wong Kin Wah (黃健華先生), a member of our senior management
“Mrs. Ip”	Ms. Chan Wai Ying (陳惠英女士), the spouse of Mr. CY Ip and the mother of Mr. CH Ip and Mr. CM Ip
“Nomination Committee”	the nomination committee of the Board

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, the Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$0.54 and is expected to be not less than HK\$0.50, such price to be agreed upon by us and the Sole Bookrunner (for itself and on behalf of the Underwriter) and determined on or before the Price Determination Date
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Share(s)”	the 225,000,000 new Shares initially offered by our Company, for subscription 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 Underwriter(s)”	the underwriter(s) 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 Friday, 21 June 2019 by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Placing Underwriter in respect of the Placing, as further described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Placing” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriter) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, 21 June 2019, on which the Offer Price is expected to be fixed for the purpose of the Public Offer and, in any event, no later than Monday, 24 June 2019

DEFINITIONS

“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” in this prospectus and the Application Forms
“Public Offer Share(s)”	the 25,000,000 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” in this prospectus
“Public Offer Underwriter”	the underwriter of the Public Offer listed in the paragraph headed “Underwriting – Underwriter – Public Offer Underwriter” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 17 June 2019 relating to the Public Offer and entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter as further described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Public Offer Underwriting Agreement” in this prospectus
“Red Diamond Global”	Red Diamond Global Limited, a company incorporated in the BVI with limited liability on 12 January 2016, the holding company of Hop Fat Yuk Ying up to 22 March 2017
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described under the paragraph headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus
“Safety Consultant”	Garron Holdings Limited, an safety consultant, which is an Independent Third Party
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value 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 conditionally adopted by our Company on 8 June 2019, the principal terms of which are summarised in the paragraph headed “(D) Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Silver Tide Enterprises”	Silver Tide Enterprises Limited (銀濤企業有限公司), a company incorporated in the BVI with limited liability on 29 May 2018 and wholly owned by Mr. CM Ip, and is one of our Controlling Shareholders
“Solarspike”	Solarspike Limited, a company incorporated in the BVI with limited liability on 3 December 2015, which was the holding company of Hop Fat Yuk Ying before the Reorganisation
“Sole Sponsor” or “Grande Capital”	Grande Capital Limited, a licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor of the Listing and an Independent Third Party
“Sole Bookrunner” or “Sole Lead Manager”	Astrum Capital Management Limited, a licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, acting as the sole bookrunner and the sole lead manager of the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	Mr. Ng Kwok Yin, Godwin, an Independent Third Party
“Track Record Period”	the period comprising FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018

DEFINITIONS

“Underwriter”	the Public Offer Underwriter and the Placing Underwriter
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”	United States dollars, the lawful currency of the United States
“WBDB”	the Works Branch of Development Bureau of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“sq.ft.”	square foot (feet)
“%”	per cent

Unless otherwise expressly stated or the context otherwise requires, in this prospectus,

- *the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “core connected person(s)”, “connected transaction(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings ascribed to such terms in the Listing Rules; and*
- *all data in this prospectus is as of the Latest Practicable Date.*

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

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“A&A works”	alteration and addition works to an existing building
“CAGR”	compound annual growth rate
“falsework”	a temporary structure used to support permanent structure until the permanent structure becomes self-supporting
“formwork”	temporary mould, built by using timber, plywood, aluminium and/or steel, that is erected during the course of general construction of buildings such that concrete can be poured or placed into it for the construction of permanent structures
“FSC”	an acronym for Forest Stewardship Council, a global not-for-profit organisation to promote responsible management of forests
“ISO”	an acronym for International Organisation for Standardisation, an independent, non-governmental organisation based in Geneva, Switzerland
“ISO 9001”	quality management and quality assurance system requirements published by ISO
“ISO 14001”	environmental management system requirements published by ISO
“main contractor”	in respect of a construction project, a contractor appointed by the project employer which generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
“OHSAS”	an acronym for Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business

GLOSSARY OF TECHNICAL TERMS

“PEFC”	an acronym for the Programme for the Endorsement of Forest Certification Schemes, an international non-profit, non-governmental organisation dedicated to promoting sustainable forest management through certification
“plastering”	the process of spreading a mixture of lime or cement concrete and sand along with a required amount of water to cover uneven surfaces in the construction of buildings and other structures
“private sector projects”	construction works that are not public sector projects. “private sector” shall be construed accordingly
“public sector projects”	construction works commissioned by the Government (including the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environment Protection Department, Highways Department, Architectural Services Department and Water Services Department, the Housing Authority, MTR Corporation Limited and the Airport Authority. “public sector” shall be construed accordingly
“reinforcement bar fixing”	bending of steel bars into shapes required for reinforced concrete construction and fastening the steel bars so that they stay in the correct place between the spaces as well as between each other
“striking”	the process of removing the formwork after the concrete structure has gained sufficient strength
“structural steel related”	construction with steel, other metallic materials, and/or glass as principal raw materials
“subcontractor”	one which accepts orders from the main contractor or another subcontractor for specific tasks forming part of a main contract
“Ten Major Infrastructure Projects”	Ten Major Infrastructure Projects announced in the 2007-08 policy address issued by the chief executive of Hong Kong including 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-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “go forward”, “intend”, “may”, “might”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, and the negative forms of these words (if applicable) or similar words or statements, in particular, in the sections headed “Risk Factors”, “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our business prospects;
- our projects on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our financial position;
- our ability to control or reduce costs;
- the amount and nature of, and potential for, future development of our business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our ability to further develop and manage our projects as planned;
- fluctuation in the prices of raw materials and our ability to pass-through any increases in price to customers;
- the actions and developments of our competitors;

FORWARD-LOOKING STATEMENTS

- certain statements in the section headed “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends and risk management; and

- other factors beyond our control.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update nor do we intend 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 contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

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

Most of our revenue is derived from contracts through competitive tendering. Our formwork works projects were principally awarded through competitive tender process 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 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 contract. There is a risk that we may not succeed in tendering for the same customer's services upon the expiry of our existing 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 are made aware of the tendering opportunity; or (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 each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, we recorded a tender success rate of approximately 27.8%, 16.7%, 38.1% and 22.2% respectively. The factors affecting our tender success rate primarily include our tender price and our track records. We are unable to guarantee that we could achieve the same or higher tender success in the future as we have done in the past.

In the competitive tendering process, we may have to 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 be adversely affected. There is no guarantee that our current customers will continue to include us in the tendering process or we will be able to seek new customers, or that we will be able to secure contracts awarded from our customers in the future. Upon the completion of our projects on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contracts with comparable gross profit margin or at all. Accordingly, there may be a significant decrease in our revenue which may adversely affect our operation and financial result.

RISK FACTORS

We rely on subcontractors to complete our projects and our financial performance and our business may be affected by the availability and costs of our subcontractors

In line with the usual practice of the construction industry in Hong Kong, we engage third party subcontractors to perform the works under our contracts. For FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, our subcontracting charges amounted to approximately HK\$127.8 million, HK\$279.2 million, HK\$255.7 million and HK\$198.4 million, respectively, representing approximately 74.3%, 80.0%, 82.9% and 78.0% of our total contract costs, respectively. Changes in subcontracting charges may result from changes in cost of labour and materials, technical specifications or customers' requirements in connection with the projects. In some cases, additional labour costs and material costs derived from delay in completion of projects caused by adverse weather condition and other unforeseen problems and circumstances may increase the subcontracting charges. Accordingly, we have to bear the risk of fluctuations in subcontracting charges. In the event that any of the major subcontractors is unable to provide the required services to us or the subcontracting charges payable to the subcontractors increase substantially, our Group's business, results of operations, profitability and liquidity may be adversely affected.

In addition, pursuant to section 43C of the Employment Ordinance, a principal contractor and every superior subcontractor shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Our operations and our financial position may thereby be adversely affected if any of our subcontractors violates their obligations to pay their employees.

We make estimation of our contract costs in our tenders and any failure to properly estimate the costs involved in the implementation of a project or 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 paragraph headed "Business – Customers – Pricing policy" in this prospectus. Tender price is important, because once the rate of items in the contract is underestimated, we may bear any additional costs incurred. In the event we fail to properly estimate the contract costs or if any unforeseen factor or difficulties arose during the on-site construction leading to any increase in time or in cost (such as additional subcontracting charges 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. We recorded aggregate gross loss in one of the projects completed during the Track Record Period and such project was completed in November 2015. The loss was mainly due to the additional subcontracting charges, materials and manpower required to complete the construction as a result of unforeseen difficulties raised during the on-site construction. Please refer to the paragraph headed "Business – Our projects – Projects completed during the Track Record Period" for further details.

RISK FACTORS

We may enter into fixed fee contracts and provisional fee contracts with our customers, while we usually enter into provisional fee contracts with our subcontractors. In the event that we enter into fixed fee contracts with our customers and the cost of subcontracting increases and we are unable to pass on the risk of increased subcontracting charges to our customers, our profitability may be adversely affected.

Furthermore, our contracts entered into with our major customers during the Track Record Period contained specific completion schedule requirements and liquidated damages provision. For details, please refer to the paragraph headed “Business – Customers – Key contract terms with our major customers” in this prospectus. Liquidated damages are typically levied at an agreed fee 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.

There is no assurance that we will not encounter cost overruns or delays in our current and future projects and our customers may not agree to extend the completion date. If such cost overruns or delays occur, we may experience significant increase in costs exceeding our budget or be required to pay liquidated damages, hence reducing or diminishing profit margin, or even incur a loss in the relevant contract. This may result in material adverse impact on our operation and financial performance.

We have a concentrated customer base, and any decrease in the number of projects with our major customers would adversely affect our operations and financial results

A significant portion of our revenue during the Track Record Period was derived from a small number of customers. Our five largest customers’ revenue contribution for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 accounted for approximately 99.5%, 99.6%, 85.5% and 82.5% of our total revenue during the respective period. For the same period, our largest customer accounted for approximately 28.3%, 44.7%, 36.8% and 28.3% of our revenue, respectively. The total number of our customers in each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 was 6, 7, 16 and 13, respectively. Although we will continue to endeavour to diversify and expand our customer base, we expect that our present major customers will continue to account for similar portions of our revenue in the coming years. For details, please refer to the paragraph headed “Business – Customers – Major customers” in this prospectus.

During the Track Record Period, we did not enter into any long-term agreement with our customers. Furthermore, our service contracts for all formwork works 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 major 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 major customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn

RISK FACTORS

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.

Due to the competitiveness of the industry in which we operate, there is no assurance that we can continue to diversify the composition of our customer base and attract other new customers. Should any of the risks above materialises, our business and financial position could be adversely affected.

Our five largest subcontractors account for a substantial portion of our subcontracting charges

Our five largest subcontractors accounted for approximately 66.6%, 77.8%, 51.8% and 64.4% of our total subcontracting charges for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, respectively. If any of our major subcontractors substantially reduces the amount of services provided to us or terminates their business relationship with us entirely, there can be no assurance that the provision of services from alternate subcontractors would be on commercially comparable terms or to comply with our quality requirements. Hence, our operations and financial performance may be materially and adversely affected.

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

We delegate specific work tasks to our subcontractors from time to time. Our customers (i.e. the main contractors) pay progress payments after our work has commenced and such progress payments are certified by our customers on a monthly basis. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. As such, we would record significant cash outflow in the event that we take up too many projects with large contract sums at a particular period of time.

Our net cash inflows from operating activities primarily consisted of our revenue from the provision of formwork works and other construction works. We recorded net operating cash inflow of approximately HK\$24.9 million and HK\$12.8 million for FY2016/17 and FY2017/18 respectively, while we recorded net operating cash outflow of approximately HK\$4.8 million and HK\$20.1 million for FY2015/16 and the nine months ended 31 December 2018, respectively.

Cash outflows in the payment of certain operating expenditures may not align with progress payments to be received at the relevant periods in a construction project. Our customers typically make progress payments after our work has commenced. Accordingly, the net cash inflow and outflow for a particular project may fluctuate as the construction works progress. For FY2015/16 and the nine months ended 31 December 2018, we recorded net cash used in operating activities of approximately HK\$4.8 million and HK\$20.1 million

RISK FACTORS

respectively. If there exist too many projects during any particular period of time which require substantial cash outflow while we have significant less cash inflows during the same period, our liquidity and cash flow position may be adversely affected.

We predominantly rely on cash inflow from our customers to meet our payment obligations to our suppliers and subcontractors. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention money 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. 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.

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

In general, for our contracts, we submit payment applications on a monthly basis to our customers and normally require our customers to make progress payments with respect to the value of work completed, which may include variation works and claims, if any. The billings for our projects are made in accordance with the stipulated terms and conditions of the respective contracts. Progress payment is generally made regularly by reference to the value of work done in that month whereas retention money withheld by our customers is normally fully released upon expiry of the defects liability period and the completion of all the rectification works to the full satisfaction of the employer of the construction project and the main contractor. Please refer to the paragraph headed "Business – Customers – Key contract terms with our major customers" in this prospectus for further details.

The credit terms in relation to the settlement of trade receivables arising from the projects carried out by our Group vary from contract to contract. Our credit terms with most of our customers are generally less than 60 days after the issuance of payment certificate. Our trade receivables were approximately HK\$30.1 million, HK\$20.6 million, HK\$34.8 million and HK\$44.6 million as at 31 March 2016, 2017, 2018 and 31 December 2018, respectively. There is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers. Any dispute with our customers may result in significant delay in receivables collection.

In addition, retention money is generally required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money required in the contract is normally at a range from 5% to 10% of the value of work done subject to a maximum limit of up to 10% of the total contract value. Our retention receivables amounted to approximately HK\$22.7 million, HK\$33.2 million, HK\$53.5 million and HK\$62.9 million as at 31 March 2016, 2017, 2018 and 31 December 2018, respectively. In the event our customers fail to pay the retention money on a timely basis or at all, our liquidity may be adversely affected.

RISK FACTORS

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, in particular in respect of final payment, which in the view of our Directors, is not uncommon in the construction industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention money to us in a timely manner or at all, our liquidity and the financial condition of our Group could be adversely affected.

The amount of revenue we derive from a project may be different from its initial contract sum due to variation orders or early termination of project, and the price of our variation works may not be clearly determined

The total revenue we derive from a project may be higher or lower than the initial contract sum as stipulated in the contract due to variation orders by our customers in the course of our project execution. Such variations may include additions, omissions or modifications to our works.

In respect of our projects completed during each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 where the amount of revenue recognised were lower than the initial contract sum, such differences amounted to an aggregate of approximately HK\$0.5 million, nil, HK\$91.5 million and HK\$2.0 million, respectively. The revenue recognised was substantially lower than the initial contract sum for the projects completed during FY2017/18 was mainly due to the early termination of a project with Customer Co-Make. Please refer to the paragraph headed “Business – Customers – Major customers” in this prospectus for further details. In respect of our projects completed during each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 where the amount of revenue recognised were higher than the initial contract sum, such differences amounted to an aggregate of approximately HK\$5.7 million, HK\$17.3 million, HK\$100.1 million and HK\$6.0 million, respectively. The revenue recognised was substantially higher than the initial contract sum for the projects completed during FY2017/18 was mainly due to the variation orders of the Hong Kong Children’s Hospital project, Tai Po Water Treatment Facilities project and Deep Water Bay Drive project which amounted to approximately HK\$63.9 million, HK\$16.4 million and HK\$14.6 million, respectively. The variation orders for the Hong Kong Children’s Hospital project were mainly due to changes in time schedule of works, while the variation orders for the Tai Po Water Treatment Facilities project and Deep Water Bay project were mainly due to changes in designs by the respective customers. Our total revenue for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 amounted to approximately HK\$199.4 million, HK\$378.6 million, HK\$361.9 million and HK\$300.1 million, respectively.

We had 16 projects in progress as at the Latest Practicable Date that have been awarded to us but not completed. The total revenue expected to be recognised for these 16 projects is estimated to be approximately HK\$495.7 million and HK\$240.7 million for FY2019/20 and after FY2019/20, respectively. There is no assurance that the actual amount of revenue to be recognised from our projects in progress will not be substantially different from the initial contract sum as stipulated in the contracts.

The variation orders carried out by us would be valued in accordance with the principle that if any variation works to be carried out is similar in character to any item of work priced in the contract, the variation works would be valued at the rate set out in the rate of

RISK FACTORS

items in the original contract. However, if the variation works are not similar in character to any item of work priced in the contract, the variation works would be valued with reference to the above rate of items or at a rate to be fixed by our customer based on the circumstances.

We depend on key management personnel, and their departure would adversely affect our operations and financial results

Our success and growth has been, and will continue to be, heavily dependent upon our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors take the view that the experience and qualifications of our Directors and members of senior management are important to us. For details, please refer to the section headed “Directors and Senior Management” in this prospectus. Our Directors and members of senior management have been key members of our management team and play a pivotal role in conducting our daily operations and formulating our long-term business strategies. In particular, our executive Directors, Mr. CM Ip and Mr. Lau, along with our senior management member, Mr. Wong, has over 20, 17 and 9 years of experience in the formwork works industry, and have contributed significantly to our Group’s result during the Track Record Period. Any unanticipated departure of members of our management team without appropriate replacement found may have a material adverse impact on our business operations and profitability.

Shortage of labour may affect our projects and our performance

According to the Ipsos Report, the construction industry in Hong Kong has been facing labour shortage and ageing workforce. There is no assurance that the supply of labour and average labour costs will be stable. Formwork works are generally labour intensive, and are susceptible to labour shortage. For any given project, a large number of workers with different skills from various disciplines may be required. Our subcontracting charges amounted to approximately HK\$127.8 million, HK\$279.2 million, HK\$255.7 million and HK\$198.4 million for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, respectively. If there is a significant increase in the costs of labour and our subcontractors have to retain their workers by increasing their wages, our subcontracting charges will increase and thus lower our profitability. On the other hand, if our subcontractors fail to retain their existing labour or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages and may even incur losses.

Increases in construction material costs, shortage or delay of delivery of certain construction materials and substandard construction materials may have an adverse impact on our financial results

Our principal construction materials include timber, plywood, aluminium formwork and steel formwork. During FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, our construction materials and consumables costs amounted to approximately HK\$31.5 million, HK\$44.6 million, HK\$32.1 million and HK\$45.6 million respectively, representing approximately 18.3%, 12.8%, 10.4% and 17.9% of our total cost of sales, respectively.

RISK FACTORS

We cannot ensure that the quality of construction materials supplied to our Group will meet our required standards and the delivery of construction materials will meet our timeline for reasons which are beyond our control, and we may be forced to replace these construction materials from other suppliers at additional costs or be exposed to the risk of failing to complete our projects on time. If we are unable to complete our projects on time, we may be liable to pay liquidated damages to our customers. Furthermore, we cannot guarantee that the supply and the cost of construction materials will be stable. If we are unable to factor in these potential cost fluctuations into our tenders and pass on part or the whole of such increases to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

We may not be able to sustain growth rate and profit margin similar to those we achieved during the Track Record Period, or maintain our financial performance in the future

We experienced significant growth over the Track Record Period. Our revenue increased from approximately HK\$199.4 million for FY2015/16 to approximately HK\$361.9 million for FY2017/18, representing a CAGR of approximately 22.0%. Further, our gross profit amounted to approximately HK\$27.5 million, HK\$29.5 million, HK\$53.4 million and HK\$45.5 million for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, respectively, and our gross profit margin amounted to approximately 13.8%, 7.8%, 14.8% and 15.2% respectively. As disclosed above, we cannot guarantee that new businesses could be generated from our existing customers after completion of the current 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 and may not necessarily reflect our financial performance in the future. The profitability of our Group in the future depends on our capability to secure new contracts, the terms of the new contracts and the effectiveness of our cost control measures. Our profit margin may vary significantly from project to project depending on factors including the accuracy of our estimation of our costs, the complexity and size of the project, the price of the construction materials and subcontracting charges.

We had 16 projects in progress as at the Latest Practicable Date that have been awarded to us but not completed. We may experience delays in the commencement or progress of our work due to factors outside our control such as delay of foundation works undertaken by other subcontractors, adverse weather conditions and delays in obtaining governmental approvals for commencement of works.

There is no assurance that we will be able to maintain our current turnover and profit levels in the future or attain growth rates and profit margins similar to those achieved during the Track Record Period. Investors should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

RISK FACTORS

There is no assurance that we will be able to maintain or renew our registration under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme)

For certain public sector projects, the contract may require a main contractor to engage a subcontractor registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council in performing the projects. As a result of a fatal accident happened in April 2012 and the convictions under the Construction Sites (Safety) Regulations, the Construction Industry Council ordered a 2-month suspension of Hop Fat Yuk Ying's registration of certain trades/specialties under the Subcontractor Registration Scheme from 8 August 2014 to 7 October 2014, details of which are set out in the paragraph headed "Business – Non-compliance – Temporary suspension of registration under the Subcontractor Registration Scheme" in this prospectus.

Renewal of the registration under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) is required before its expiry, and is subject to certain qualification and relevant experience requirements. There is no assurance on our ability to renew such registration in the future. In the event we are unable to maintain or renew the registration, our business and financial position would be materially and adversely affected.

Personal injuries or fatal accidents which give rise to employees' claims and compensations may occur during the course of execution of our works and affect our reputation and operations

Employees (including our workers and the workers arranged by our subcontractors) who suffer bodily injury or death as a result of accidents or contracting diseases arising out of and in the course of their employment are entitled to claim damages against us under the Employees' Compensation Ordinance as well as under the common law. We may also face claims from third parties from time to time, including those who suffer personal injuries at premises where we provide services.

Although we closely monitor and supervise the workers arranged by our subcontractors in implementation of all such safety measures and procedures during executions of works, we cannot guarantee that there will not be any violations of rules, law or regulations by our workers and workers arranged by our subcontractors. In the event that our workers or workers arranged by our subcontractors fail to adhere to safety measures implemented on our work sites, it may lead to occurrence of personal injuries or fatal accidents, which may adversely affect the financial condition of our Group, to the extent not covered by the insurance policies maintained by the main contractors, and may affect the renewal of our registration.

As at the Latest Practicable Date, our Group was involved in one ongoing employees' compensation claim and three ongoing personal injury claims resulting from four workplace accidents. Further, by mutual consents of the parties or notices of discontinuance filed by the applicant, 11 employees' compensation applications and two common law personal injuries claims that were commenced against Hop Fat Yuk Ying as a respondent/defendant for accidents occurred during the Track Record Period and up to the Latest Practicable Date

RISK FACTORS

had been settled or discontinued. There were 27 workplace accidents occurred to our workers or workers arranged by our subcontractors during the Track Record Period and up to the Latest Practicable Date, out of which 18 accidents may give rise to potential employees' compensation claims and/or potential common law personal injury claims. Further information regarding such claims is set out in the paragraph headed "Business – Litigation and potential claims" in this prospectus.

Although there are insurance policies to cover these potential claims (details of these insurance policies are set out in the paragraph headed "Business – Insurance" in this prospectus), the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitrating authorities, and the result of any of the outstanding claims may be unfavourable to us. Such claims may fall outside the scope and/or limit of our insurance coverage or expose us to the risk of bearing higher insurance premiums in the future. There is no assurance that the insurance policies will fully cover us for future events and if we have to pay out of our own resources for any uninsured claims, our financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of our case, we may need to spend resources and incur costs to handle these claims. They may also bring damage to the reputation of our Group if they turn into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects, reputation and results of operation may be negatively affected.

We were involved in certain safety-related non-compliance incidents

Our operation is subject to certain safety-related laws and regulations. For details, please refer to the paragraph headed "Regulatory Overview – A. Labour, Health and Safety".

During the Track Record Period, we were involved in certain safety-related non-compliance incidents and Hop Fat Yuk Ying was convicted for ten summonses under the Factories and Industrial Undertakings Ordinance and its subsidiary legislations (including the Construction Sites (Safety) Regulations). In addition to the above safety-related non-compliance incidents, the Labour Department has issued a number of improvement notices and suspension notices against Hop Fat Yuk Ying following three inspections in January 2019, February 2019 and May 2019. For details, please refer to the paragraph headed "Business – Non-compliance" in this prospectus.

Despite our safety management system that conforms to the OHSAS 18001:2007 standard as disclosed in the paragraph headed "Business – Major qualifications, certifications, awards and recognitions – Certifications" in this prospectus, there is no assurance that safety-related non-compliance will never occur in the future due to human error or failure of our workers to adhere to our safety measures. According to the Ipsos Report, reputation and credibility are the key factors of competition in the formwork works industry. Any non-compliance or conviction records may adversely affect our reputation, and this may in turn affect our chances of winning future tenders. Further, if any non-compliance of similar or other nature occurs in the future, we may be subject to fines, business interruptions and/or other legal and operational consequences, which may adversely and materially affect our business operation and financial position.

RISK FACTORS

We may be subject to penalty or surcharge imposed by the IRD for the error in tax assessment or undercharged tax

As disclosed in the paragraph headed “Financial Information – Difference between recorded tax expense of Hop Fat Yuk Ying and actual payments during the two years ended 31 March 2015” of this prospectus, there was a difference between the recorded tax expenses of Hop Fat Yuk Ying and actual tax payments during the two years ended 31 March 2015. To the best knowledge of our Directors, the difference was mainly attributable to different accounting estimations between different auditors and occurrence of future events.

Further, the assessable profits of Hop Fat Yuk Ying for the year of assessment 2014/15 was inadvertently understated in the 2014/15 notice of assessment when compared to the 2014/15 profits tax computation submitted by Hop Fat Yuk Ying to the IRD. Due to such understatement, the IRD over-allowed the loss and undercharged a tax of HK\$887,557. For details of the loss over-allowed by the IRD, please refer to the paragraph headed “Financial Information – Loss over-allowed by IRD in the year of assessment 2014/15” in this prospectus.

The IRD has issued an additional assessment demanding final tax for 2014/15 of the amount HK\$887,557 (i.e. being the tax amount in delay), and such amount has been settled before the payment due date. While the IRD has issued the additional tax assessment for the tax undercharged without any penalty or surcharge, there is no assurance that the IRD would not take any enforcement action against Hop Fat Yuk Ying in relation to the tax incidents. In the event that any enforcement action is taken against Hop Fat Yuk Ying, and the tax penalty imposed substantially exceeds our expectations, our reputation and cash flow may be adversely affected.

Industrial actions or strikes may affect our business

Typical construction works is divided into various disciplines, and each requires highly specialised labour. Industrial action of any one discipline may disrupt the progress of our formwork works. During the Track Record Period, our formwork works projects did not encounter any strike action. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence profitability and results of operation. Any delays in the completion of our formwork works caused by such action may impact our likelihood of winning future tenders as it is a factor affecting our customers decision in awarding tenders.

We may take responsibilities for the performance or non-performance of our subcontractors

Our subcontractors are subject to our management and supervision. For details of such management and supervision, please refer to the paragraph headed “Business – Suppliers and subcontractors – Subcontracting” in this prospectus. We may not be able to monitor the performance of these subcontractors effectively. Outsourcing exposes us to risks associated with non-performance or delayed performance by our subcontractors. As a result, we may experience deterioration in the quality or delivery of our works, incur additional costs due to

RISK FACTORS

delays or at a higher price in sourcing the services or supplies, or be subject to liability under the relevant contract for any default caused by our subcontractors. Such events could impact upon our reputation, financial condition and results of operations, and result in litigation or damages claims. Besides, suitable subcontractors may not always be readily available. If we are unable to hire qualified subcontractors, our ability to complete projects could be impaired. If our major subcontractors' performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damages claims.

If our subcontractors violate any laws, rules or regulations in relation to occupational health, safety, environmental or registration of construction workers matters, we may expose ourselves to prosecutions by relevant authorities, and also be 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 such violation, whether substantial or minor in nature, of any laws, rules or regulations, occurring in the construction sites for which we take part in our operations and hence our financial condition will be adversely affected.

Our insurance may not cover all potential loss and claims, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

Insurance may not fully cover all potential loss and claims arising from our operation. In the course of our normal operation, typical claims such as accidents and personal injuries suffered by our workers and workers arranged by our subcontractors are generally covered by the insurance policy maintained by the respective main contractors of the construction projects. For details, please refer to the paragraph headed "Business – Insurance" in this prospectus.

Nevertheless, we and/or our officers (as the case may be) may be exposed to claims in respect to matters that are not covered by any insurance policies we maintained. Certain type of risks, such as risks in relation to the collectability of our trade and other receivables, our estimation and management of costs, are generally not insured as they are either uninsurable or it is not cost justifiable to insure against such risks. In addition, there may be circumstances (such as fraud, gross negligence and natural disasters) in which certain loss and claims would not be covered adequately by the insurance policies we maintained, or at all.

In the event that we experience substantial loss, damages or claims arising from our operation which are not covered by the insurance policies, we may have to incur tremendous expenditure to cover such losses, damages or liabilities which would adversely affect our operating results and financial position.

With respect to loss and claims which are covered by insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount of such loss from the insurers. There can be no assurance that insurance policies would be sufficient to cover all potential loss, regardless of the cause, or that we can recover such losses from the insurers.

RISK FACTORS

Construction disputes and litigation may adversely affect our performance

The nature of our business exposes us to construction disputes with our customers, subcontractors, suppliers, workers and other parties. Such disputes may be in connection with late completions of works, delivery of substandard works, labour compensations or personal injuries in relation to the works. For example, contractual claims may arise in relation to the payment of outstanding contract fees with our subcontractors.

These claims and litigation can be both costly and time consuming, as they will significantly divert our management's attention and internal resources. As a result of these claims and litigation, our relationship with the relevant customers, subcontractors, suppliers or workers may be damaged. Further, our reputation in the construction industry may also be adversely affected.

We are exposed to interest rate risks which is unhedged and may affect our cash flows

As at 30 April 2019, our Group had bank borrowings amounting to approximately HK\$30.4 million, which bore interest up to HIBOR plus 2.75% per annum. Our Group has not hedged against interest rate risks. Should there be an increase in interest rate, our interest expenses may increase and our cash flows and profitability may be adversely affected.

Our Group's operations may be affected by inclement weather conditions and are subject to other construction risks

Our business operation is vulnerable to inclement weather. If inclement weather persists or natural disaster occurs, we may be prevented from performing works at our sites, and thereby failing to meet specified time schedule. If we have to halt operations during inclement weather or natural disaster, we may continue to incur operating expenses even when we experience reduced revenues and profitability. Any delay in completion of the projects will lead to liquidated damages payable by us and will adversely affect our operating results. In addition, we are subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the works site. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, and severe respiratory syndrome), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers and subcontractors.

RISK FACTORS

Our profitability may be affected by the potential increase in depreciation expenses upon our acquisition of metal scaffold equipment, and our plan in recruiting more staff in the future

We have acquired some metal scaffold equipment during the Track Record Period and are planning to acquire more metal scaffold equipment by utilising part of the net proceeds from the Share Offer, as part of our business strategies. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details. We expect our depreciation expense will increase as a result of the acquisition of the metal scaffold equipment. This may affect our operating results and financial performance. We recognise our depreciation expenses over a period of eight years, and it is expected that our depreciation expenses will be approximately HK\$2.7 million per year in respect of the abovementioned metal scaffold equipment.

Other than the acquisition of metal scaffold equipment, we also intend to hire additional staff to support our expansion plan using our internal resources and/or banking facilities.

Our business strategies in the acquisition of metal scaffold equipment, along with the recruitment of labour, will increase our fixed costs (including depreciation expenses and staff costs). However, we cannot assure that our business strategies would result in a satisfactory increase in our operation and financial performance. Our business and financial positions may be adversely affected, if we are unable to increase our profitability despite the increase in fixed costs.

RISKS RELATING TO OUR INDUSTRY

Our performance depends on market conditions and trends in the construction industry and in the overall economy

All our operations and management are located in Hong Kong during the Track Record Period. The future growth and level of profitability of the construction industry in Hong Kong depend primarily upon the continued availability of large construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors. These factors include, in particular, the Government’s spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, speed of approval of the relevant budgets or projects by the Government and the committees of the Legislative Council of Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. They may affect the availability of construction projects from the public sector, private sector or institutional bodies. Apart from the public spending of the Government, other factors also affect the construction industry. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recurrence of recession in Hong Kong, deflation or any changes in Hong Kong’s monetary policy, or if the demand for formwork works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

RISK FACTORS

We operate in a competitive environment

The construction industry in Hong Kong has many participants and is competitive. As at 31 March 2019, there were 877 subcontractors on the list of the registered subcontractors under “Concreting Formworks” category maintained by the Construction Industry Council. They are the competitors as well as business partners in our business. Occasionally, new participants may wish to enter the industry. They may do so if they have the appropriate skills, local experience, necessary equipment, capital and are granted the requisite registration by the relevant regulatory body. The increase of competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Our business may be affected by changes in existing laws

Our operation is subject to certain laws and regulations of Hong Kong. For details, please refer to the section headed “Regulatory Overview” in this prospectus. Such laws and regulations may change from time to time to reflect the latest requirements and any changes may increase the cost incurred by our Group for due compliance. Failure to comply with and satisfy such laws and regulations may lead to suspension of relevant licences, qualifications or registrations to operate and, in turn, adversely affect our business operations and financial conditions.

RISKS RELATING TO HONG KONG

Downturn in the state of economy in Hong Kong may adversely affect our performance and financial conditions

Our revenue attributable to the Hong Kong market accounted for all of our Group’s total revenue during the Track Record Period. As such, our performance and financial conditions depend on the state of economy in Hong Kong. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group’s operations and financial position may also be adversely affected.

The state of political environment in Hong Kong may adversely affect the development of construction industry in Hong Kong and our performance and financial conditions

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of “one country, two systems” in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the “one country, two systems” principle and the level of autonomy would be maintained as currently in place. Since our operation is located in Hong Kong, any change of Hong Kong’s existing political environment may pose immediate threat to the stability of the economy and the development of construction industry in Hong Kong, thereby affecting our results of operations and financial positions.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

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

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

The trading price and volume of our Shares may be volatile, which may result in substantial losses for our investors

The trading price of our Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts' estimates (if any) of our financial performance, investors' perceptions of us and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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

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

RISK FACTORS

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

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

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

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

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

The Sole Bookrunner is entitled to terminate the Underwriting Agreements

Prospective investors should note that the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriter) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, explosions, epidemic, acts of terrorism, strikes or lock-outs, natural disaster or outbreak of infectious diseases.

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

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not

RISK FACTORS

enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on the protection of minority Shareholders is set out in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

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

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

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

Certain facts, statistics and data presented in the section headed “Industry Overview” in this prospectus and elsewhere in this prospectus relating to the industry in which we operate have been derived from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information, and our Directors and the Sole Sponsor have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, 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, neither our Directors, the Sole Sponsor nor any party involved in the Share Offer has independently verified, or make any representation as to, the accuracy of such information and statistics. We cannot assure that the statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “go

RISK FACTORS

forward”, “intend”, “may”, “might”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these terms and other similar words or statements identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provision of the Listing Rules and exemption from strict compliance with the relevant section of the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

FINANCIAL INFORMATION INCLUDED IN THIS PROSPECTUS (RULES 4.04(1) AND 13.49(1) OF THE LISTING RULES, AND SECTION 342(1) OF AND PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE)

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include, inter alia, the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

According to Rule 13.49(1) of the Listing Rules, our Company is required to publish its preliminary results for each financial year not later than three months after the end of the financial year.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of that Schedule.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by our auditors with respect to our profits and losses in respect of each of the three financial years immediately preceding the issue of this prospectus and assets and liabilities at the last date to which our financial statements were prepared.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

Pursuant to the relevant requirements set forth above, our Company is required to (i) include in this prospectus the three full years of audited accounts for the years ended 31 March 2017, 2018 and 2019; and (ii) publish our preliminary results of the financial year ended 31 March 2019 not later than three months after the end of the financial year, i.e. 30 June 2019. However, an application was made to the Stock Exchange for a waiver from strict compliance with Rules 4.04(1) and 13.49(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

- (a) this prospectus must include the preliminary unaudited financial information for the latest financial year ended 31 March 2019 and a commentary on the results for the year. The financial information to be included in this prospectus must (i) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (ii) be agreed with the reporting accountants following their review under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants;
- (b) our Company is not in breach of our constitutional documents or laws and regulations of the Cayman Islands or other regulatory requirements regarding our obligation to publish preliminary results announcements;
- (c) our Company’s Shares must be listed on the Stock Exchange on or before 30 June 2019; and
- (d) our Company must obtain a certificate of exemption from the SFC on strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) the particulars of the exemption are set out in this prospectus; and
- (b) this prospectus will be issued on or before 18 June 2019 and our Company’s Shares will be listed on the Stock Exchange on or before 30 June 2019, i.e. three months after the latest financial year end.

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

The applications to Stock Exchange for a waiver from strict compliance with Rules 4.04(1) and 13.49(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following:

- (a) there would not be sufficient time for our Company and its reporting accountants, Ernst & Young, to complete the audit work on the full financial information for the year ended 31 March 2019 for inclusion in this prospectus. If the financial information is required to be audited up to 31 March 2019, our Company and our reporting accountants would have to undertake a considerable amount of work and time to prepare, update and finalise the financial information to be included in this prospectus and to update the relevant disclosures in this prospectus to cover such additional period within a short period of time;
- (b) our Company has included in this prospectus (i) the Accountants' Report covering the three years ended 31 March 2016, 2017 and 2018 and nine months ended 31 December 2018 as set out in Appendix I to this prospectus, together with (ii) the unaudited preliminary financial information for the latest financial year ended 31 March 2019, which has been agreed with the reporting accountants, Ernst & Young, following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix III to this prospectus (the "**Preliminary Financials**"); and such Preliminary Financials are no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules. As such, our Company is of the view that all material information that is necessary for the Shareholders and the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in this prospectus; and
- (c) strict compliance with the Rule 13.49(1) requirement would be unduly burdensome and not particularly meaningful given that our Company has included in this prospectus the Preliminary Financials prepared in compliance with the content requirements for a preliminary results announcements under Rule 13.49 of the Listing Rules, and given the short timeframe between the proposed date of publication of this prospectus and the required date of publication of the preliminary financial results, this prospectus contains information sufficiently updated for the benefits of the Shareholders and the investing public. In addition, our Company will issue its annual report for the year ended 31 March 2019 by

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

the end of July 2019 in accordance with Rule 13.46 of the Listing Rules, which will include the audited financial information of our Group for the year ended 31 March 2019.

In particular, our Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in this prospectus, and that, as such, the granting of the certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not prejudice the interest of the investing public. Furthermore, our Directors and the Sole Sponsor, having conducted sufficient due diligence, confirmed that there had not been any material adverse change in the financial or trading positions or prospects of our Group since 31 December 2018 and up to the date of this prospectus, and that there is no event since 31 December 2018 and up to the date of this prospectus which will materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the section headed "Financial Information" in this prospectus and other parts of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer, which comprises the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Share Offer will be fully underwritten by the Underwriter under the terms of the Underwriting Agreements. For further information about the Underwriter and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered to the public in Hong Kong solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information 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 Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Underwriter, any of their respective directors, agents or advisers or any other person involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Each person subscribing for the Offer Shares will be required and is deemed by his subscription for the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not subscribing for, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, Share Offer and upon the exercise of the options to be granted under the Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 28 June 2019. Except for our pending application to the Stock Exchange for the listing of and permission to deal in, the Shares, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is rejected before the expiration of three weeks from the date of the closing of the subscription application, 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.

OUR 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, our 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 our Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Underwriter, us and any of our or their respective directors officers, employees, agents, advisers or 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, disposition of, or dealing in, the Shares or exercising any rights attached to them.

SHARE REGISTER AND STAMP DUTY

All the Shares issued pursuant to applications made in the Public Offer and the Placing will be registered on the branch register of members of our Company maintained by our branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited. Our Company's principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited in the Cayman Islands or at the office of such principal share registrar in the Cayman Islands as we may from time to time appoint. Dealings in the Shares registered in the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on Main Board unless the Stock Exchange otherwise agrees.

ROUNDING

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

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, the translated English names of the entities, departments, facilities, certificates, titles, laws, regulations and the like included in this 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

CURRENCY TRANSLATIONS

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

US\$1.00: HK\$7.80

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Mr. IP Chi Ming (葉志明先生)	Flat 55D, 55/F, Tower 1 Lake Silver, Ma On Shan New Territories, Hong Kong	Chinese
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Mr. LAU Woon Wing (劉煥榮先生)	Flat 1320 Hong Ying Court Lam Tin, Kowloon Hong Kong	Chinese
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Independent non-executive Directors

Mr. SHUM Hau Tak (岑厚德先生)	First Floor, Block 11 Galore Garden No. 100 San Sang Tsuen Hung Shui Kiu New Territories, Hong Kong	Chinese
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Mr. PAU Chi Hoi (鮑智海先生)	Room A, 6th Floor Block 23, Hong Kong Garden Castle Peak Road, Tsing Lung Tau New Territories, Hong Kong	Chinese
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Mr. LAW Chi Hung (羅智鴻先生)	Flat H, 16th Floor Tower 1, Radiant Towers 1 Yuk Nga Lane, Tseung Kwan O New Territories, Hong Kong	Chinese
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For further details, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Grande Capital Limited

(A licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activity under the SFO)
Room 2701, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

**Sole Bookrunner and Sole Lead
Manager**

Astrum Capital Management Limited

(A licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)
Room 2704, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

**Auditors and reporting
Accountants**

Ernst & Young

Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tax Adviser

Mr. NG Kwok Yin, Godwin

Barrister-at-Law
Room 2305-07, 23rd Floor
Tower Two, Lippo Centre
89 Queensway
Admiralty
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company	<p><i>As to Hong Kong law:</i> D. S. Cheung & Co. <i>Solicitors, Hong Kong</i> 29th Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong</p> <p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman <i>Attorneys-at-law, Cayman Islands</i> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Legal advisers to the Sole Sponsor and the Underwriter	<p><i>As to Hong Kong law:</i> ONC Lawyers <i>Solicitors, Hong Kong</i> 19th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong</p>
Compliance adviser	<p>Grande Capital Limited <i>(A licensed corporation carrying on Type 6 (advising on corporate finance) regulated activity under the SFO)</i> Room 2701, 27th Floor, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong</p>
Industry consultant	<p>Ipsos Limited 6th Floor, China Life Center Tower A One HarbourGate 18 Hung Luen Road, Hung Hom Hong Kong</p>

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Safety Consultant

Garron Holdings Limited
Room 1206, 12th Floor
Tai Sang Bank Building
130-132 Des Voeux Road Central
Central
Hong Kong

Receiving Bank

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

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Flat A-B, 14th Floor Skyline Tower No. 18 Tong Mi Road Mongkok Kowloon Hong Kong
Company's website	www.silvertide.hk <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Ms. Chow Hoi Fei <i>(Certified Public Accountant)</i> Flat F, 25th Floor Block 6, Hanford Garden Tuen Mun, New Territories Hong Kong
Authorised representatives	Mr. Ip Chi Ming Flat 55D, 55/F, Tower 1 Lake Silver, Ma On Shan New Territories Hong Kong Ms. Chow Hoi Fei <i>(Certified Public Accountant)</i> Flat F, 25th Floor Block 6, Hanford Garden Tuen Mun, New Territories Hong Kong
Audit Committee	Mr. Law Chi Hung <i>(Chairman)</i> Mr. Shum Hau Tak Mr. Pau Chi Hoi
Nomination Committee	Mr. Pau Chi Hoi <i>(Chairman)</i> Mr. Law Chi Hung Mr. Lau Woon Wing
Remuneration Committee	Mr. Shum Hau Tak <i>(Chairman)</i> Mr. Pau Chi Hoi Mr. Ip Chi Ming

CORPORATE INFORMATION

Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21st Floor 148 Electric Road North Point Hong Kong
Principal banker	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

INDUSTRY OVERVIEW

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

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

We commissioned Ipsos to conduct an analysis of, and to report on the formwork works industry in Hong Kong at a fee of HK\$300,000. The payment of such amount was not conditional on our Group's successful listing or on the results of the Ipsos Report. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 89 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research methodology

The information in the Ipsos Report is derived by data and intelligence obtained by: (a) primary research via in-depth telephone conversations and face to face interviews with key market leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Assumptions used in the Ipsos Report

The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- It is assumed that the global economy remains in steady growth across the period from 2019 to 2023;
- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of formwork works industry in Hong Kong from 2019 to 2023.

INDUSTRY OVERVIEW

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there had been 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. Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of construction works in Hong Kong

The gross output value of construction works performed at construction sites in Hong Kong increased from approximately HK\$135.6 billion in 2013 to approximately HK\$200.8 billion in 2018, at a CAGR of approximately 8.2%. The significant growth was due to the rising demand of commercial and residential buildings, renovation and revitalization of industrial buildings, as well as large-scale public infrastructure projects such as the Ten Major Infrastructure Projects. With the launch of the Ten Major Infrastructure Projects in 2007, total government expenditure on infrastructure more than tripled from HK\$26.4 billion in year 2007-2008 to HK\$87.3 billion in year 2017-2018, which has driven the overall construction industry.

The gross output value is forecasted to increase from approximately HK\$204.1 billion in 2019 to approximately HK\$230.1 billion in 2023, at a CAGR of approximately 3.0% (*Note*). The gross output value is forecasted to grow at a slower rate than in the historical period, as most of the major construction works on the Ten Major Infrastructure Projects have been completed. As of 30 April 2019, three out of the Ten Major Infrastructure Projects including the South Island line, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge are completed. Meanwhile, the development of the Hong Kong-Shenzhen Western Express Line has been shelved under the “Railway Development Strategy 2014”. There are six on-going projects including but are not limited to the Sha Tin to Central Link, the Lok Ma Chau Loop and the Kai Tak Development. The six on-going infrastructure developments are expected to complete by 2021. There are no official publications and publicly available data on the total investment of the six on-going major infrastructure projects in Hong Kong during the forecast period. Despite the fact that major construction works on the Ten Major Infrastructure Projects have been carried out, the remaining construction work of the major infrastructure developments are expected to support the construction industry continuously from 2019 to 2022. For example, there are two on-going contracts under the Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass with total value of approximately HK\$20.8 billion expected to be completed by 2021. Additionally, growth will continue to be driven by the Government’s initiatives to increase the public housing supply, commercial land supply as well as the commencement of upcoming infrastructure projects.

Note: The projection figure is a conservative estimation based on information gathered by Ipsos via primary and secondary research and the current estimation has not taken into account the potential development projects stated on the 2018 Policy Address, given the fact that (i) most of the projects are designed for long-term development; and (ii) there is no concrete development plan and expected timeframe for the major development mentioned in 2018 Policy Address. Ipsos is of the view that these development projects may have a minor impact on the construction industry in the forecast period.

INDUSTRY OVERVIEW

Gross output value of general building construction works industry in Hong Kong

Formwork is an important part of building construction works. The demand for formwork works is highly driven by the growth of the building construction works industry in Hong Kong. The gross output value of the general building construction works industry in Hong Kong increased from approximately HK\$72.0 billion in 2013 to approximately HK\$131.5 billion in 2018, at a CAGR of approximately 12.8%.

The increase in the gross output value of the general building construction works industry was also attributable to the increased number of construction projects of private residential, commercial and office buildings. According to the Rating and Valuation Department of the Hong Kong Government, the total number of newly completed private residential units increased at a CAGR of approximately 20.5% from 2013 to 2018. Moreover, the floor area of newly completed commercial and office space increased at a CAGR of approximately 26.6% and approximately 7.9% during the same period, respectively.

It is expected that the gross output value of the general building construction works industry will increase from approximately HK\$135.1 billion in 2019 to approximately HK\$156.2 billion in 2023, at a CAGR of approximately 3.7%. The expected increase in the gross output value is supported by the upcoming development plans and existing construction projects. According to 2019-20 budget speech, the projected total public housing production of the next five-year period will reach 100,400 units while the latest projection has set a more optimistic target than that of the previous ones. With the Government initiative to increase public housing supply, the growth of the building construction works industry is expected to be sustained.

THE FORMWORK WORKS INDUSTRY IN HONG KONG

Formwork is a temporary mould which concrete is poured into. It is an essential and indispensable step for building concrete structure as fresh concrete needs time to harden and therefore the need for containment to form the desired shape and size. The demand for formwork works is highly driven by the growth of the building construction works industry in Hong Kong. Formwork system is among the essential procedures 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 resources planning strategy to control and maximise the use of the formwork system are crucial to the overall success of a construction project. In general, there are two major types of formwork in terms of installation method, which are traditional formwork (using timber and plywood) and system formwork (using aluminium and steel).

Typically, main contractors are responsible for supervising the overall progress and quality of the construction project, monitoring the daily operation of the construction site and coordinating subcontractors to carry out construction works. Main contractors would subcontract some of the construction works to subcontractors because (i) labour intensive works such as formwork works are subcontracted to subcontractors for the supply of sufficient direct labour as main contractors generally only hire a small number of direct labour on a permanent basis to control cost; and (ii) subcontractors often possess the necessary experience and expertise in performing specific areas of tasks and it is generally more cost effective to subcontract different parts of construction works to different subcontractors which are specialised in the field of expertise.

Formwork subcontractors are mainly responsible for managing formwork workers, coordinating subcontractors and supervising the progress and quality of formwork works. It is common in the formwork works industry that the works are subcontracted to two to three

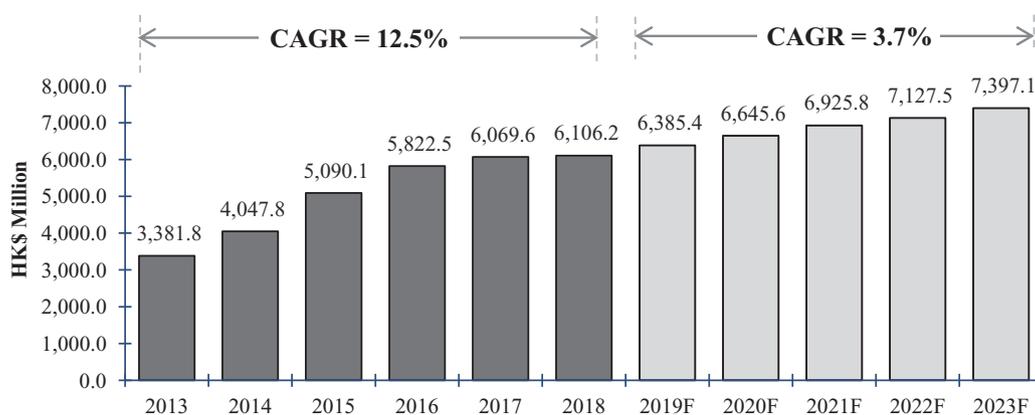
INDUSTRY OVERVIEW

layers of subcontractors. These subcontractors include direct labour and are commonly engaged on a project-by-project basis, given the fact that hiring a pool of workers under permanent agreement can be costly.

Gross output value of the formwork works industry in Hong Kong

The gross output value of the formwork works industry in Hong Kong increased from approximately HK\$3,381.8 million in 2013 to approximately HK\$6,106.2 million in 2018, at a CAGR of approximately 12.5%. The growth of the industry was driven by the Ten Major Infrastructure Projects as mentioned above and the Government initiatives to increase housing supply in both public and private sector. During the period between the fiscal years 2013-14 and 2018-19, over 92,000 public housing units were produced by the Housing Authority. Besides, the total number of newly completed private residential units increased from 8,254 units in 2013 to 20,968 units in 2018, representing a CAGR of approximately 20.5% from 2013 to 2018.

**Gross output value of the formwork works industry in
Hong Kong from 2013 to 2023F**



Source: Ipsos research and analysis

Over the forecast period, the gross output value is expected to increase from approximately HK\$6,385.4 million in 2019 to approximately HK\$7,397.1 million in 2023, at a CAGR of approximately 3.7%. A slower growth is estimated for the gross output value of the formwork works industry from 2019 to 2023 due to the gradual completion of the Ten Major Infrastructure Projects in Hong Kong. With the completion of a number of large infrastructure projects, the construction industry and the associated formwork works industry is expected to experience a slowdown in growth. Nevertheless, the gross output value is supported by the upcoming development plans and existing construction projects. According to 2017 Policy Address, the New Development Area plan (NDA) including Kwu Tung North NDA, Fanling North NDA and Tung Chung New Town Extension is expected to be developed and provides approximately 109,400 flats and 1,717,000 m² of industrial and commercial floor area. Major site formation and infrastructure works of the advance works are scheduled to commence in 2019. Such plan indicates a strong need of building construction works and formwork works over the forecast period.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE FORMWORK WORKS INDUSTRY IN HONG KONG

Industry structure

The formwork works industry in Hong Kong is relatively fragmented. As at 31 March 2019, according to Construction Industry Council, there were 877 subcontractors on the list of registered subcontractors under “Concreting Formworks” category.

Key active formwork contractors in Hong Kong

As the revenue information of the contractors (in particular the major contractors) engaged in formwork works industry in Hong Kong is not available because most of the contractors are private companies the financial information of which are not publicly available, Ipsos advised that the ranking of the industry players cannot be reliably ascertained. However, Ipsos has identified seven key active players of the formwork works industry in Hong Kong based on its desktop research and primary research including the results of interviews with main contractors and other formwork contractors. Such seven key active players include our Group, as well as the following six key active players (shown in alphabetical orders): Cheung Ying Construction Engineering Limited, Chi Kan Engineering Company Limited, Hui Shun Holdings Limited, Koo Kam Kee Engineering Company Limited, Leung Pui Form Mould & Engineering Co. Limited (a subsidiary of Kin Shing Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1630)) and Ming Tai Construction Engineering Company Limited (a subsidiary of Royal Deluxe Holdings Limited, a company listed on the Main Board of Stock Exchange (stock code: 3789)).

Our Group’s market share in the formwork works industry

The gross output value of the formwork works industry in Hong Kong in the calendar year 2018 is approximately HK\$6,106.2 million according to the Ipsos Report (while the figure for the twelve-month period from April 2018 to 31 March 2019 is not available). The total revenue of the formwork works of our Group for FY2018/19 was approximately HK\$399.9 million. Based on these figures, it is estimated that our Group’s market share in the formwork works industry in Hong Kong is approximately 6.5%.

Factors of competition

Relationships with main contractors and materials suppliers.

Formwork contractors are more competitive if they can maintain good relationships with their main contractors and raw material suppliers. Main contractors tend to outsource formwork works to subcontractors which have proven high-quality work and on-time project completion track records, especially subcontractors which they have previously collaborated with. In addition, maintaining good customer relationships will increase the opportunities for formwork contractor to win project tenders. Besides, established long-term business relationships with raw material suppliers provide higher flexibility for a formwork contractor in negotiating prices, resource allocation and project execution compared with their competitors.

INDUSTRY OVERVIEW

Reputation and credibility.

Formwork contractors that deliver and complete formwork works on time, perform quality formwork works and meet safety and environmental requirements would gain reputation with good track record. A proven track record and reputation are more likely to win project tenders based on their proven reliability and experience in completing formwork works.

Financial Standing and cash flow liquidity.

Formwork contractors with a strong financial standing are able to tender for more construction projects and in particular those larger in scale. In general, main contractor would only consider engaging formwork contractor that are financially healthy and are able to maintain their cash flow liquidity for payment to workers and raw material suppliers as they may need to make such payments before receiving payments from the main contractors, resulting in possible cash flow mismatch. Industry players without enough capital and financial support will not be considered in the tendering process. Therefore, formwork contractors with stronger financial standing and cash flow liquidity are able to tender for more and larger scale projects, and in return, large-scale construction projects help formwork contractors to enhance their job experiences and build up their reputation in the industry.

INDUSTRY DRIVERS OF THE FORMWORK WORKS INDUSTRY IN HONG KONG

In general, an increasing amount of construction projects will increase the general demand for formwork works. The formwork works industry in Hong Kong is expected to benefit from the following industry drivers:

Increasing residential and commercial land supply.

The Government has taken initiatives to increase the housing supply through different policies such as the long-term housing strategy to (i) provide more public rental housing units and subsidised sale flats, and (ii) maintain steady land supply for private residential properties. The number of newly completed private residential units has increased from 8,254 units in 2013 to 20,968 units in 2018, representing a CAGR of approximately 20.5%. In addition, rising demand for commercial space is observed, driven by the goal to sustain the competitiveness as an international financial centre and reflected by the increasing number of companies established in Hong Kong. The Government has been actively seeking for suitable commercial-use land through various means to tackle the demand. A number of commercial sites located at the Kai Tak Development Area, above the terminus of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, at the New Central Harbourfront, Caroline Hill Road, Queensway Plaza and Sai Yee Street, etc, will be put up for land sale from 2019 onwards. Besides, the Government has carried out a five-month consultation on 18 options to boost the land supply in Hong Kong. It is expected that the initiatives taken by the Government will further drive the industry in near future.

New Development Areas (NDA).

The New Development Areas (NDA) including the Kwu Tung North NDA, Fanling North NDA and Tung Chung New Town Extension will be the major opportunities to the formwork works industry in Hong Kong. With reference to the timeline, the major site formation and infrastructure works of the advance works are scheduled to commence in 2019 before allocating land for different purposes, including the construction of a mixed

INDUSTRY OVERVIEW

type of residential housing and community facilities. Together with the reclamation and advanced works commenced in Tung Chung New Town Extension in 2017, these formed lands in the NDA are expected to increase the land supply for building construction and therefore supporting the growth of formwork works industry in Hong Kong.

Urban renewal and redevelopment projects.

Over the years, various redevelopment projects have commenced in old districts such as To Kwa Wan and Sham Shui Po, by the Urban Renewal Authority in Hong Kong. These projects have acted as another important driver for formwork works industry in Hong Kong. Buildings re-habitation proposals of taking down deteriorating old buildings and reconstruction of new building properties for future uses will provide further room for the development of the building construction industry and formwork works industry given the scarcity of developable new lands in Hong Kong.

ENTRY BARRIERS AND POTENTIAL CHALLENGES OF THE FORMWORK WORKS INDUSTRY IN HONG KONG

Entry barriers

Proven practical industry experience.

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 to subcontractors based on their track records 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 experience to support a higher rating for a customer's consideration during the tender process.

Significant level of working capital requirement.

Having a sufficient general working capital is essential for formwork contractors. During a construction project, significant expenses for the purchase of raw materials, recruitment of skilled labours and payment to subcontractors are required. Besides, it is common in the industry that approximately 5% to 10% of the total contract sum is withheld as retention money, which normally will only be fully released upon the expiry of the defects liability period. Having a sufficient general working capital is crucial in order to ensure on-time payment to workers and the flexibility towards resources allocation. Inability in maintaining a sufficient general working capital and stable cash flows can lead to deferred payments which in turn can result in loss of reputation. Therefore, new entrants with insufficient general working capital may face difficulties in operations.

Relationship with suppliers and customers.

Main contractors often have higher preference for subcontractors with whom they have previous collaboration. Therefore, maintaining a good relationship with main contractors enables formwork contractors to have a higher chance to win a project. In addition, a stable and long-term business relationship with raw material suppliers often enables formwork contractors to enjoy better payment terms, favourable procurement price and higher flexibility in placing orders. New entrants without relationship with main contractors and suppliers may find difficulties in competing with other existing players which have built up solid relationships with main contractors and raw material suppliers.

INDUSTRY OVERVIEW

Potential challenges

Labour shortage and ageing workforce. Hong Kong's construction industry has been facing the issue of labour shortage and ageing workforce. The lack of workers in the construction industry has led to rising labour costs as further described below. Workers aged 50 or above accounted for a large proportion of workers, and the number of construction workers is expected to drop when these workers start to retire. According to the Construction Industry Council, in March 2019, approximately 43.8% of the 482,939 registered construction workers were aged 50 or above. In order to attract more skilled and younger workers to support the ongoing and future construction, formwork contractors are paying higher wages to workers. However, it only had a limited effect because of a lack of career prospects. As a result, the problem of labour shortage is likely to persist in the foreseeable future.

Increasing labour costs. Owing to labour shortage in the construction industry, contractors are paying more to retain existing skilled workers and attract younger workforce into the industry. From 2013 to 2018, the average daily wage of workers engaging in the formwork works industry in Hong Kong increased from approximately HK\$1,275.1 in 2013 to approximately HK\$1,604.8 in 2018, at a CAGR of approximately 4.7%. The rising labour costs may result in higher operational costs for formwork contractors and become a threat to the industry.

Slower growth of the construction industry in Hong Kong. With the completion of a number of large infrastructure projects, the construction industry is expected to experience a slowdown in growth, which may pose potential threat to the formwork works industry. From 2013 to 2018, the construction industry in Hong Kong experienced a substantial growth at a CAGR of 8.2%. However, with the completion of the major infrastructure projects and the limited number of large-scale construction projects introduced by the Government, the construction industry is expected to experience a slowdown in growth rate which may hinder the growth of the formwork works industry. Nevertheless, the Government initiative to increase housing supply and the development of NDAs is expected to underpin the construction industry in Hong Kong. The Housing Authority is expected to produce 100,400 public housing units for the next five-year period, while 16,000 additional residential flats and approximately 400,000 m² of commercial floor area will be provided in two phases of Kai Tak Development Area.

PRICE TREND OF MAJOR COST COMPONENTS

The major cost components of a formwork contractors in Hong Kong include, among others, subcontracting charges, direct labour cost, and cost of materials such as plywood, sawn hardwood and aluminium.

The table below sets forth the major costs in the formwork works industry from 2013 to 2018:

INDUSTRY OVERVIEW

	2013	2014	2015	2016	2017	2018	CAGR
Average daily wage of workers engaging in the formwork works industry (HK\$ per day per worker) (Note)	1,275.1	1,470.3	1,499.2	1,614.9	1,599.8	1,604.8	4.7%
Plywood – 19 mm thick (HK\$ per m ²)	74.0	75.0	75.0	73.0	75.0	77.0	0.8%
Sawn Hardwood – 25 mm thick plank (HK\$ per m ³)	3,814.0	3,814.0	4,026.0	4,556.0	4,654.0	4,654.0	4.1%
Aluminium (HK\$ per tonne)	16,273.6	16,461.7	14,479.5	13,755.1	13,985.1	15,475.5	-1.0%

Note: The average daily wage of the workers engaging in the formwork works industry includes bamboo scaffolder, carpenter (formwork), general welder, plant & equipment operator (load shifting), rigger/metal formwork erector and scaffolder.

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

Average wages of 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 approximately HK\$1,275.1 in 2013 to approximately HK\$1,604.8 in 2018, at a CAGR of approximately 4.7%. From 2013 to 2016, the rising daily wage of workers was attributed to the large demand for housing units and the Government's initiatives to increase housing supply as well as the intensified labour shortage in the construction industry in Hong Kong, as evidenced by the gross output value of the formwork works industry in Hong Kong growing at a CAGR of approximately 19.9% from 2013 to 2016. In order to attract more skilled and younger workers to support the ongoing and future construction, formwork contractors are paying higher wages to workers. From 2016 to 2017, the formwork works industry grew at a much slower rate at 4.2% and this has partly alleviated the problem of labour shortage in the industry. As a result, the average daily wage of workers engaging in the formwork works industry in Hong Kong experienced a slight decline from approximately HK\$1,614.9 per day in 2016 to approximately HK\$1,599.8 per day in 2017.

The average daily wages of workers engaged in the formwork works industry remained stable in the first six months of 2018 and is expected to maintain a similar average wage level in the second half of 2018. Nevertheless, the average wage of formwork works workers is anticipated to experience a slight decline in the forecast period. The expected slower growth in the construction and formwork works industry in the forecast period as well as the government initiative to increase the construction workers' supply are expected to alleviate the problem of labour shortage in the formwork works industry further, hence lowering the average wage of formwork works workers.

Plywood

Plywood is widely used on furniture, packaging, flooring, internal walls as well as traditional formwork. The average wholesale price of plywood in Hong Kong remained relatively stable at approximately HK\$74.0 per square metre in 2013 and approximately HK\$77.0 per square metre in 2018, rising at a CAGR of approximately 0.8%. The stable wholesale price was mainly due to the sufficient supply of plywood in Hong Kong, where

INDUSTRY OVERVIEW

over 90% of the plywood in Hong Kong is imported from the PRC. The price of plywood is therefore, not affected by the international price. The stable wholesale price of plywood benefits formwork contractors due to the stable material costs.

The price of plywood is expected to remain stable following the historical price trend, which has maintained in the range of HK\$73.0 to HK\$77.0 from 2013 to 2018. Given the sufficient supply and stable demand for plywood in Hong Kong, the price of plywood is expected to remain stable in the forecast period.

Sawn hardwood

The historical price of sawn hardwood (25mm thick plank) in Hong Kong increased from approximately HK\$3,814.0 per cubic metre in 2013 to approximately HK\$4,654.0 per cubic metre in 2018, at a CAGR of approximately 4.1%. Sawn hardwood is another key material used in traditional formwork. Unlike plywood, sawn hardwood is imported from countries such as Canada, PRC and Switzerland. The price of sawn hardwood therefore fluctuated according to the demand and supply in the international and domestic market. From 2015 to 2017, the production of U.S., the largest sawn hardwood exporter in the world, reduced by approximately 4.0% over the period. The decreasing production in the U.S. has intensified the international supply of sawn hardwood, which in turn pushed up the international wholesale price and also the Hong Kong wholesale price of sawn hardwood. Furthermore, the rising demand for building construction and redevelopment works in Hong Kong over the past few years have driven up the local demand and increased the average wholesale price of sawn hardwood in Hong Kong.

The price of sawn hardwood in 2018 has remained the same as that of 2017. However, the decreasing production in the U.S. is anticipated to further tighten the global supply. Along with the rising costs in excavating timber and the increasing international and local demand, the price of sawn hardwood is expected to increase steadily over the forecast period.

Aluminium

The price of aluminium decreased from HK\$16,273.6 per tonne in 2013 to HK\$15,475.5 per tonne in 2018, decreasing at a negative CAGR of approximately 1.0%. The declining aluminium price from 2013 to 2016 was mainly due to the overcapacity of aluminium in China, where excess supply was dumped onto the global market causing the international price and also the Hong Kong wholesale price of aluminium to decrease. With an aim to reduce the excessive capacity of the industrial sector, China has implemented certain supply-side structural reforms which subsequently reduced the domestic aluminium capacity in China. As a result, the supply and demand of aluminium became more stable and a slight rebound of the aluminium price is observed in 2017.

The price of aluminium in Hong Kong is experiencing a surge in the first half of 2018 following the international price trend. The rising price of aluminium is caused by the supply concerns in the market. The U.S. sanction on Rusal, the largest aluminium producer after China, and the tight supply of alumina, a key material in making aluminium, has intensified aluminium's tight supply at the global level. The unstable supply has poses uncertainty in the international market and has pushed up aluminium price around the globe. According to the World Bank Commodities Price Forecast released in October 2018, the international price of aluminium is projected to soar from US\$1,968 per metric ton in 2017 to approximately US\$2,122 per metric ton in 2018, and remain relatively stable from 2019 to 2023. Nevertheless, the future price trend of aluminium is subjected to various factors and may fluctuate due to uncertain economic and/or political environment. Under the current economic situation, the price of aluminium in Hong Kong is expected to follow the international price trend in the forecast period.

REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations applicable to our business in Hong Kong. It does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

A. LABOUR, HEALTH AND SAFETY

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

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

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a work environment that is safe and without risks to health.

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

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

REGULATORY OVERVIEW

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

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

Employers must, as far as reasonably practicable, ensure the safety and health of their employees at work by attending to the following:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- maintaining the workspace in a condition that is safe and without risks to health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risks to health.

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

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notices 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.

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

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

REGULATORY OVERVIEW

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

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

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

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine at level 6 (currently at HK\$100,000) and imprisonment for 2 years.

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

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C 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 Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the

REGULATORY OVERVIEW

site of the building work; and (b) to the wages due to such an employee for 2 months without any deductions (such months shall be the first 2 months of the period in respect of which the wages are due).

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

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

The Construction Workers Registration Ordinance (“CWRO”) provides, among others, for registration and regulation of construction workers. The principal objective of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Under sections 3(1) and 5 of the CWRO, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites.

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

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

REGULATORY OVERVIEW

only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites in relation to those trade divisions independently.

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

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

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$30,000 on or after 1 June 2014).

Industry scheme

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

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

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

REGULATORY OVERVIEW

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

B. ENVIRONMENTAL PROTECTION

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation, the Air Pollution Control (Smoke) Regulation and the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under the Air Pollution Control (Construction Dust) Regulation, “construction work” includes but not limited to the construction, demolition and reconstruction of the whole or any part of any building or other structure and site formation. Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “notifiable work” includes site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100 metres of any exit to the open air, construction of the foundation of a building, construction of the superstructure of a building or road construction work.

Under section 4 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation.

REGULATORY OVERVIEW

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 may be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

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

On 8 February 2015, the WBDB issued Technical Circular (Works) No. 1/2015 (the “**Technical Circular**”), pursuant to which the Government has promulgated an implementation plan to phase out progressively the use of exempted NRMM for four types of NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding \$200 million and tenders invited on or after 1 June 2015. Notwithstanding the aforesaid phase out plan, exempted NRMM may still be permitted at the discretion of the architect or engineer of public contracts if there is no feasible alternative. Pursuant to the phase out plan as detailed in the Technical Circular, the contractors being invited to tender or to participate in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding \$200 million on or after 1 June 2015 shall allow no exempted generator and air compressor to be used on site after 1 June 2015 and the quantity of exempted excavators and crawler cranes used on site not to exceed 50%, 20% and 0% of the total number of exempted NRMMs being used on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively.

As at the Latest Practicable Date, our Group had two forklifts which were approved with a proper label in a prescribed format issued by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

REGULATORY OVERVIEW

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, 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 allowed between 7 p.m. and 7 a.m. on normal weekdays and any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the Construction Noise Permit System. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a Construction Noise Permit from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK\$100,000; (b) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and the general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

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

REGULATORY OVERVIEW

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

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor which undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract, within 21 days after the contract is awarded.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who (a) uses, or permits to be used, any land or premises for disposal of waste without licence; or (b) deposits or causes or permits to be deposited any waste in any place except with lawful authority or excuse or permission of the owner or lawful occupier of the place, commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, HK\$500,000 and to imprisonment for 6 months for a second or subsequent offence.

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

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

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000

REGULATORY OVERVIEW

and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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

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

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5) upon conviction.

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

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

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

C. CONTRACTOR LICENSING REGIME AND OPERATION

The Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme)

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme (formerly known as the Voluntary Subcontractor Registration Scheme (the “VSRS”)) managed by the Construction Industry Council.

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

VSRS was subsequently renamed as Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

REGULATORY OVERVIEW

On 1 April 2019, the Subcontractor Registration Scheme was subsequently renamed as the Registered Specialist Trade Contractors Scheme (the “RSTCS”) comprising two registers namely the Register of Specialist Trade Contractors (the “RSTC”) and the Register of Subcontractors (the “RS”). All references to the Subcontractor Registration Scheme shall be substituted by the RSTCS with effect from 1 April 2019.

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialties, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc. Since 1 April 2019, subcontractors may apply for registration on the RSTC in one or more of the seven designated trades including demolition, reinforcement bar fixing, erection of concrete precast component, concreting formwork, concreting, scaffolding and curtain wall (the “Designated Trades”). Subcontractors may also apply for registration on the RS in other common civil, building, electrical and mechanical trades.

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

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

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

REGULATORY OVERVIEW

- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered specialist trade contractor shall apply for renewal not earlier than six months before and not later than three months before the expiry date of its registration whereas a registered subcontractor shall apply for renewal within three months before the expiry date of its registration. An application for renewal shall be submitted to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the committee which oversees the relevant scheme. If some of the entry requirements covered in an application can no longer be satisfied, the committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for three or five years from the expiry of the current registration.

A registered specialist trade contractor and a registered subcontractor shall observe the Codes of Conduct issued by the Construction Industry Council (the "Codes of Conduct"). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the committee of the Construction Industry Council.

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

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
2. failure to give timely notification of changes to the registration particulars;
3. serious violations of the registration rules and procedures;
4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
6. wilful misconducts that may bring the Subcontractor Registration Scheme (and RSTCS since 1 April 2019) into serious disrepute;

REGULATORY OVERVIEW

7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:
 - i. loss of life; or
 - ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;
10. convictions for employment of illegal worker under the Immigration Ordinance; or
11. late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

The committee of the Construction Industry Council may instigate regulatory actions by directing that:

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

The circumstances that may lead to regulatory actions be taken against a Registered Specialist Trade Contractors include, but are not limited to (a) a petition for winding-up or bankruptcy has been filed against the Registered Specialist Trade Contractor or other financial problems; (b) Registered Specialist Trade Contractor's failure to answer queries or provide information relevant to the registration within the prescribed time specified by the committee of the Construction Industry Council; (c) misconduct or suspected misconduct of the Registered Specialist Trade Contractor; (d)

REGULATORY OVERVIEW

court conviction or violation of any law by the Registered Specialist Trade Contractor, including but not limited to the Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Employment Ordinance, Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong), Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong); (e) matters of public interest; (f) serious or suspected serious poor performance or other serious causes in any public or private sector works contract; and (g) the Registered Specialist Trade Contractor's failure to comply with any provisions of the rules and procedures for the RSTCS.

Although there is no specific licensing requirement for subcontractors in Hong Kong, Hop Fat Yuk Ying is registered under the Subcontractor Registration Scheme (which is now renamed as RSTCS). For details of our registration under the Subcontractor Registration Scheme (which is now renamed as RSTCS), please refer to the paragraph headed "Business – Major qualifications, certifications, awards and recognitions" in this prospectus.

D. LEGISLATION EXPECTING TO COME INTO FORCE WHICH MAY IMPACT OUR BUSINESS

Security of Payment Legislation for the construction Industry (the "SOPL")

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

Based on the consultation document of the SOPL, when it comes into force, the SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts for a "new building" (as defined in the Buildings Ordinance) which has an original value in excess of HK\$5 million (or HK\$0.5 million for professional services and supply only contracts) will be caught in the private sector contracts. However, where the SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

After SOPL comes into effect, it may include the following key obligations, rights and limits:

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

REGULATORY OVERVIEW

- (c) The SOPL will provide a party who is entitled to a claim under a contract with a right to claim the payment by means of a statutory payment claim, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication which is a process for decision in 55 working days from the date of appointment of an adjudicator.

- (d) The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate of progress of work until payment is made.

Our Directors are of the view that the SOPL 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 with our customers, subcontractors and suppliers, which will result in a reduction in disruptions in our Group's operations and delays in performing our project works. On the other hand, since we generally pay our subcontractors within 30 days upon receiving their payment applications, our Directors consider that our payment pattern does not deviate from the SOPL and our payment policy and cash management will not be materially affected by the SOPL if it comes into force.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands with limited liability on 24 July 2018. Our Company completed the Reorganisation on 5 September 2018 in preparation for the Listing pursuant to which our Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

Commencement and early development of our business

The history of our Group can be traced back to December 1990 when Mr. CY Ip, Mrs. Ip and Mr. CH Ip established Hop Fat Yuk Ying in Hong Kong to principally engage in structural steel related works as a subcontractor. Mr. CY Ip and Mr. CH Ip have now accumulated over 25 years of experience in the construction industry in Hong Kong. Mr. CY Ip and Mrs. Ip are the parents of Mr. CH Ip and Mr. CM Ip, our executive Director, chief executive officer, chairman of the Board and a Controlling Shareholder. Under the leadership of Mr. CY Ip together with support from Mrs. Ip and Mr. CH Ip, the scope of business of Hop Fat Yuk Ying was extended to formwork works in 1998.

In 1998, Mr. CM Ip joined Hop Fat Yuk Ying as a site supervisor as Hop Fat Yuk Ying extended its business scope to formwork works. Mr. CM Ip became a project director of Hop Fat Yuk Ying in April 2010 and has been the key person responsible for the day-to-day management of Hop Fat Yuk Ying since then. During the Track Record Period, Mr. CM Ip, Mr. Lau and Mr. Wong were the core management members of Hop Fat Yuk Ying, responsible for overseeing the management and operation of Hop Fat Yuk Ying. For background and relevant industry experience of Mr. CM Ip, Mr. Lau and Mr. Wong, please refer to the section headed “Directors and Senior Management” in this prospectus.

Subsequently, as a family succession plan, reorganisation steps were carried out whereupon Mr. CM Ip became the sole shareholder of Hop Fat Yuk Ying through SolarSPIKE and the sole director of Hop Fat Yuk Ying on 22 March 2017.

Our sole operating subsidiary – Hop Fat Yuk Ying

Hop Fat Yuk Ying was incorporated in Hong Kong with limited liability on 28 December 1990 with an initial issued share capital of HK\$500,000 divided into 500,000 ordinary shares of HK\$1.0 each, of which 200,000 shares, 200,000 shares and 100,000 shares were allotted to Mr. CY Ip, Mrs. Ip and Mr. CH Ip, in each case at the then par value of HK\$1.0 per share, respectively. After the allotments, Hop Fat Yuk Ying was owned as to 40% by Mr. CY Ip, 40% by Mrs. Ip and 20% by Mr. CH Ip.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 20 November 2012, the issued share capital of Hop Fat Yuk Ying was increased to HK\$2,000,000 divided into 2,000,000 ordinary shares of HK\$1.0 each. Hop Fat Yuk Ying allotted and issued 400,000 shares, 400,000 shares, 300,000 shares and 400,000 shares to Mr. CY Ip, Mrs. Ip, Mr. CH Ip and Mr. CM Ip, in each case at the then par value of HK\$1.0 per share, respectively. After such allotments, the shareholding structure of Hop Fat Yuk Ying was as follows:

Name of shareholder	No. of shares	Shareholding percentage
Mr. CY Ip	600,000	30%
Mrs. Ip	600,000	30%
Mr. CH Ip	400,000	20%
Mr. CM Ip	<u>400,000</u>	<u>20%</u>
Total:	<u>2,000,000</u>	<u>100%</u>

On 31 May 2016, Red Diamond Global acquired 600,000, 600,000, 400,000 and 400,000 ordinary shares of Hop Fat Yuk Ying (representing its entire issued shares in aggregate) from Mr. CY Ip, Mrs. Ip, Mr. CH Ip and Mr. CM Ip, respectively, and in consideration of such transfers, Red Diamond Global issued and allotted in aggregate 100 shares in Red Diamond Global of US\$1.00 each, credited as fully paid, to Solarspike (as directed by Mr. CY Ip, Mrs. Ip, Mr. CH Ip and Mr. CM Ip). After the aforesaid share transfers, Hop Fat Yuk Ying became a wholly-owned subsidiary of Red Diamond Global.

On 22 March 2017, as a family succession plan, Solarspike acquired 2,000,000 ordinary shares of Hop Fat Yuk Ying (representing its entire issued shares) from Red Diamond Global, and in consideration of such transfer, Solarspike issued and allotted 30, 30, 20 and 20 ordinary shares in Solarspike of US\$1.00 each, credited as fully paid, to Mr. CY Ip, Mrs. Ip, Mr. CH Ip and Mr. CM Ip, respectively. After the aforesaid transfers, Hop Fat Yuk Ying became a wholly-owned subsidiary of Solarspike and was indirectly owned as to 30% by Mr. CY Ip, as to 30% by Mrs. Ip, as to 20% by Mr. CH Ip and as to 20% by Mr. CM Ip.

On the same date, Mr. CM Ip became the sole shareholder of Hop Fat Yuk Ying through Solarspike by acquiring 33, 33 and 22 ordinary shares of Solarspike from Mr. CY Ip, Mrs. Ip and Mr. CH Ip, respectively, in the consideration of US\$1.00 per ordinary share which was determined based on the par value of the shares of Solarspike.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT AND MILESTONES

The following table sets out the major developments and milestones of our Group since 1990:

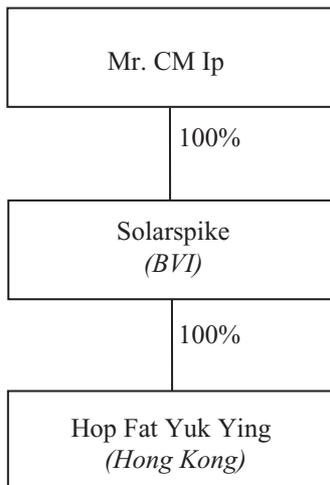
Year	Event
1990	Hop Fat Yuk Ying was incorporated in Hong Kong and principally engaged in structural steel related works as a subcontractor.
1998	<p>Hop Fat Yuk Ying started engaging in formwork works as a subcontractor in Hong Kong.</p> <p>Engaged by Customer Hip Hing, Hop Fat Yuk Ying (which carried on its business under the business name of Hop Fat Iron Work at that time) undertook the first formwork works project, the Sau Mau Ping project. The initial contract sum of such project amounted to approximately HK\$60.4 million and the scope of works we undertook include traditional formwork and system formwork.</p>
1999	Hop Fat Yuk Ying (which carried on its business under the business name of Hop Fat Iron Work at that time) as a subcontractor participated in the construction of MTR Kowloon residential development, undertaking formwork works. The initial contract sum of such project amounted to approximately HK\$80.2 million.
2000	<p>Hop Fat Yuk Ying as a subcontractor participated in the construction of Kwai Shing Circuit. The initial contract sum of such project amounted to approximately HK\$32.0 million and the works we undertook include traditional formwork and system formwork.</p> <p>Hop Fat Yuk Ying ceased engaging in structural steel related works.</p>
2004	Hop Fat Yuk Ying was registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council.
2008	A Hong Kong private company (one of the companies of Customer A), principally engaged in residential, industrial, commercial and hotel construction and development, started engaging us to provide formwork works services.
2009	Customer D, a subsidiary of a company listed on the Main Board of the Stock Exchange principally engaged in building construction and civil engineering operations, started engaging us to provide formwork works services.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2015	Customer C, a joint venture construction contractor, started engaging us to provide formwork works services.
2016	Hop Fat Yuk Ying was awarded silver prize in the category of “civil engineering sites – subcontractors” under the Construction Industry Safety Award Scheme.
2017	The integrated management system of Hop Fat Yuk Ying was certified to be in compliance with the standards required under ISO 9001:2015 (quality management system), ISO 14001:2015 (environmental management) and OHSAS 18001:2007 (occupational health and safety management system).
2018	Hop Fat Yuk Ying was awarded tender contract with a contract sum of over HK\$200 million for formwork works for a development project in Tai Wai.

REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In preparation for the Listing, our Group underwent the Reorganisation to rationalise the corporate structure of our Group. On 5 September 2018, our Company completed the Reorganisation and became the holding company of our Group. The Reorganisation involved the following major steps:

(a) Incorporation of Forest Honour and Silver Tide Enterprises

- (i) Forest Honour was incorporated in the BVI on 27 March 2018 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid share of Forest Honour, representing the entire issued share of Forest Honour, was allotted and issued to Mr. CM Ip on 11 April 2018.
- (ii) Silver Tide Enterprises was incorporated in the BVI on 29 May 2018 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One fully paid share of Silver Tide Enterprises, representing the entire issued share of Silver Tide Enterprises, was allotted and issued to Mr. CM Ip on 12 July 2018.

(b) Incorporation of our Company

Our Company was incorporated in the Cayman Islands with limited liability on 24 July 2018. The authorised share capital of our Company is HK\$380,000 consisting of 38,000,000 Shares with a par value of HK\$0.01 each. On the date of incorporation, one Share was allotted and issued as fully paid to the initial subscriber to the memorandum and articles of association of our Company, which was transferred to Silver Tide Enterprises on the same day.

(c) Acquisition of Hop Fat Yuk Ying by Forest Honour

On 22 August 2018, Forest Honour acquired 2,000,000 ordinary shares in Hop Fat Yuk Ying (representing its entire issued shares) from Solarspike in consideration of HK\$2,000,000 satisfied by Forest Honour allotting and issuing one share with a par value of US\$1.00, credited as fully paid, to Mr. CM Ip. After the aforesaid acquisition of Hop Fat Yuk Ying, Hop Fat Yuk Ying became a wholly-owned subsidiary of Forest Honour, which is wholly owned by Mr. CM Ip.

(d) Acquisition of Forest Honour by our Company

On 5 September 2018, our Company acquired two shares in Forest Honour (representing its then entire issued shares) from Mr. CM Ip, and in consideration of such transfer, 99 Shares was allotted and issued to Silver Tide Enterprises (at the direction of Mr. CM Ip), credited as fully paid. After the aforesaid acquisition of Forest Honour, Forest Honour became a wholly-owned subsidiary of our Company.

Immediately after completion of the share transfer referred to in paragraph (d) above, our Company became the holding company of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The change of shareholdings in Hop Fat Yuk Ying pursuant to the Reorganisation is not subject to any approval or permit from any Government authorities in Hong Kong.

(e) Share Offer and Capitalisation Issue

On 8 June 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by creation of an additional 1,962,000,000 Shares.

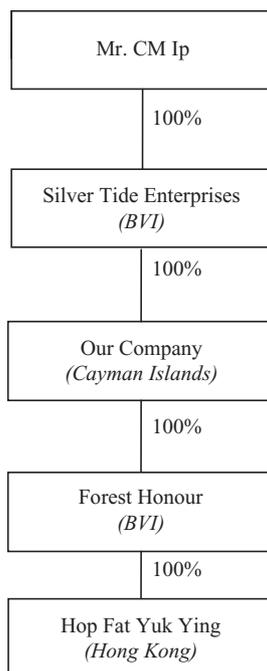
Conditional on the Listing having been approved by the Stock Exchange, our Company intends to offer (i) 25,000,000 Public Offer Shares for subscription by the public in Hong Kong, representing 10% of the total number of Shares initially available under the Share Offer (subject to reallocation); and (ii) 225,000,000 Placing Shares (subject to reallocation), representing 90% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of our Company and the Placing Shares will represent approximately 22.5% of the total issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

Conditional on the share premium account of our Company being credited with the proceeds of the Share Offer, HK\$7,499,999 will be capitalised from the share premium account and applied in paying up in full at par 749,999,900 new Shares for the allotment and issuance to the existing shareholder of our Company, namely, Silver Tide Enterprises, immediately prior to the Share Offer, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by Silver Tide Enterprises, will constitute not more than 75% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and Capitalisation Issue (taking no account of any Shares which may be issued pursuant to exercise of any option which may be granted under the Share Option Scheme).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

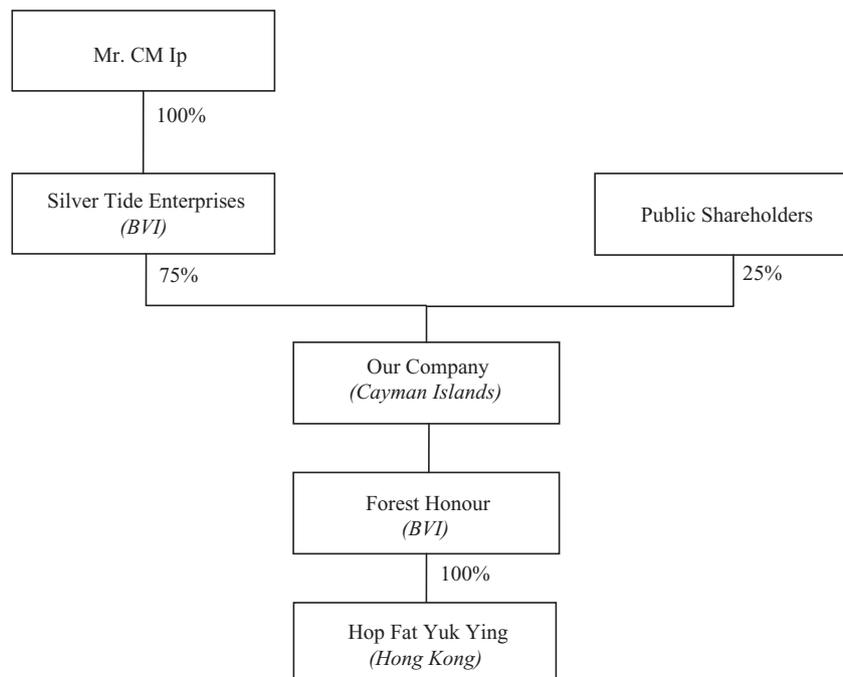
OUR GROUP STRUCTURE

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



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue:



LISTING APPLICATION OF YUK SING ENGINEERING HOLDINGS LIMITED IN 2016

In June 2016, Yuk Sing Engineering Holdings Limited (“**Yuk Sing**”), being the then proposed holding company of Hop Fat Yuk Ying and Hop Fat Structural Steel Engineering Company Limited (“**Hop Fat Structural Steel**”), applied for the listing of its shares on the Main Board of the Stock Exchange (the “**YS Listing Application**”). In preparation of the YS Listing Application, Hop Fat Yuk Ying underwent a reorganisation whereby Mr. CY Ip, Mrs. Ip, Mr. CH Ip and Mr. CM Ip (collectively referred to as the “**Ip’s Family**”) continued to own 30%, 30%, 20% and 20% of the issued shares of Hop Fat Yuk Ying through a number of intermediate holding companies. Hop Fat Structural Steel, a company which is principally engaged in structural steel related works in Hong Kong, was under common control of Mr. CY Ip, Mrs. Ip, Mr. CH Ip and Mr. CM Ip who owned 30%, 30%, 20% and 20% of the issued shares of Hop Fat Structural Steel, respectively (i.e. both Hop Fat Yuk Ying and Hop Fat Structural Steel were under common control of the Ip’s Family prior to 22 March 2017).

The YS Listing Application lapsed in December 2016. After the lapse of the YS Listing Application, Mr. CY Ip and Mrs. Ip, being the then controlling shareholders and directors of Yuk Sing, started to plan their retirement in the beginning of 2017. In March 2017, Mr. CY Ip and Mrs. Ip formally retired and resigned as directors of Hop Fat Yuk Ying and Hop Fat Structural Steel. Given that Mr. CY Ip and Mrs. Ip had retired after the lapse of the YS Listing Application, the then directors of Yuk Sing decided not to further proceed with the YS Listing Application. Subsequently, as a family succession plan, further reorganisation

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

was carried out whereupon Mr. CM Ip has become the sole shareholder of Hop Fat Yuk Ying through an intermediate holding company and Mr. CH Ip has become the sole shareholder of Hop Fat Structural Steel through an intermediate holding company since 22 March 2017.

As confirmed by our Directors, Hop Fat Structural Steel does not form part of our Group for the purpose of the current listing application because (i) Mr. CH Ip considers the listing process to be complicated and costly, and would want to devote more time to the business development of Hop Fat Structural Steel and his family; and (ii) the current business strategy of our Group is to focus on formwork works projects and the structural steel related business of Hop Fat Structural Steel may not fit in the overall business strategy of our Group.

The Sole Sponsor is not aware of any matters relating to the YS Listing Application which may affect our Company's suitability for listing or any matters that should be brought to the attention of investors and regulators.

BUSINESS

OVERVIEW

Our Group is a subcontractor in the construction industry mainly providing formwork works services to both the public and private sectors in Hong Kong. The formwork works undertaken by our Group mainly include (i) traditional formwork using timber and plywood; and (ii) system formwork using aluminium and steel. Upon our customers' request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering. The table below sets out a breakdown of our revenue by types of works during the Track Record Period.

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Formwork works								
– Traditional formwork	147,004	73.7	306,991	81.1	74,100	20.5	38,564	12.9
– System formwork	–	–	–	–	128,092	35.4	51,170	17.1
– Traditional and system formwork	17,700	8.9	64,612	17.1	147,988	40.9	205,713	68.5
Other construction works (Note)	<u>34,719</u>	<u>17.4</u>	<u>7,024</u>	<u>1.8</u>	<u>11,693</u>	<u>3.2</u>	<u>4,619</u>	<u>1.5</u>
Total:	<u>199,423</u>	<u>100</u>	<u>378,627</u>	<u>100</u>	<u>361,873</u>	<u>100</u>	<u>300,066</u>	<u>100</u>

Note: Other construction works included A&A works, plastering and two projects entailing a combination of formwork works, concrete placing and/or reinforcement bar fixing.

We have an established presence in the construction industry with a Group history of over 25 years. Our Group was principally engaged in structural steel related works as a subcontractor when Hop Fat Yuk Ying was established in 1990, and has changed its focus to formwork works since 1998. Hop Fat Yuk Ying, our sole operating subsidiary, is registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) maintained by the Construction Industry Council.

BUSINESS

Our customers are principally main contractors in the construction industry in Hong Kong. Our projects' ultimate owners come from both the private sector and public sector (including Government and statutory bodies). The table below sets out a breakdown of the revenue generated by project sector during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue	Revenue <i>HK\$'000</i>	% of total revenue
Private sector	123,758	62.1	203,284	53.7	340,532	94.1	266,848	88.9
Public sector	75,665	37.9	175,343	46.3	21,341	5.9	33,218	11.1
Total	199,423	100.0	378,627	100.0	361,873	100.0	300,066	100.0

The construction materials used by us for carrying out formwork works comprise timber, plywood, aluminium formwork and steel formwork. In determining the types of installation method to be used, we consider the specific requirement of the contracts with our customers, cost effectiveness of the construction materials and project needs. Please refer to the paragraph headed "Our Services – Formwork works – Types of formworks" in this section for further details. For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, purchase costs incurred from our five largest suppliers (excluding subcontractors) accounted for approximately 76.8%, 74.8%, 69.4% and 69.5% of our total purchase costs (excluding subcontracting charges) respectively. We engage third party subcontractors to perform certain activities under our contracts. The percentage of subcontracting charges of our Group's five largest subcontractors amounted to approximately 66.6%, 77.8%, 51.8% and 64.4% of our total subcontracting charges incurred, respectively, for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

We have an established history and presence in the formwork works industry

Our Group has been principally engaged in formwork works since 1998. Hop Fat Yuk Ying, our sole operating subsidiary, is registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) maintained by the Construction Industry Council. As at 31 March 2019, there were 877 subcontractors on the list of registered subcontractors under "Concreting Formwork" category maintained by the Construction Industry Council. Although the formwork works industry is relatively fragmented, according to the Ipsos Report, it is estimated that our Group had a market share of approximately 6.5% in the formwork works industry, the calculation of which is based on our total revenue for FY2018/19 divided by the gross output value of the formwork works industry in Hong Kong in the calendar year 2018.

BUSINESS

Over the years, we have obtained awards and recognitions from departments of the Government and statutory bodies. Further, we have maintained stable and long-term business relationships with our major customers as well as our major suppliers and subcontractors. In addition, we have also obtained an award from Customer D. For details, please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus and the paragraph headed “Major qualifications, certifications, awards and recognitions – Awards and recognitions” in this section.

Based on the above, we consider that we have a well-established presence in the formwork works industry in Hong Kong. We believe that such well-established presence in the industry is important to our business operations and future business development.

We have a proven track record in performing a variety of construction projects

We were engaged by our customers to perform a variety of construction projects. We completed the formwork works for the upgrading of the Pillar Point Sewage Treatment Facilities and expansion of the Tai Po Water Treatment Facilities in 2014 and 2017, respectively. We also completed the formwork works for the construction of the Hong Kong Children’s Hospital project in 2017. During the Track Record Period and up to the Latest Practicable Date, we have been awarded with 14 projects with an initial contract sum greater than or equal to HK\$50 million, out of which 7 of the projects have an initial contract sum of over HK\$100 million. Please refer to the paragraph headed “Our projects” in this section for details of the projects completed, ongoing projects, and projects awarded to us during the Track Record Period and up to the Latest Practicable Date. The experience has proven that our Group has strong capabilities and financial standings to support such project execution, which only a very limited number of industry players are capable to undertake such large-scale construction projects.

In addition, as Hop Fat Yuk Ying is registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) maintained by the Construction Industry Council under the category of “Concreting Formwork”, we are able to perform both traditional and system formwork works to fulfil the design requirements and the needs of our customers. According to the Ipsos Report, many of the industry players in the market are only capable to perform either traditional formwork or system formwork works. The ability to perform both types of formwork works enables us to tender for more formwork works projects, which will in turn increase our business opportunities.

With our expertise and experience in performing a variety of construction projects, we believe that we have gained our customers’ confidence in our ability in performing projects of different nature and complexity.

We have stable and long-term relationships with major customers, suppliers and subcontractors

During the Track Record Period, some of the projects awarded to us have been given by our long established recurring customers. Maintaining good customer relationships provides more opportunities and higher chances of winning tenders by having the

BUSINESS

opportunity to demonstrate our Group's ability to provide high-quality works within the agreed time and budget. In addition, our Group also maintains a good relationship with our suppliers and subcontractors. Established good relationships with suppliers provide our Group with more flexibility in negotiating prices, allocation of resources and project execution. Having well-established relationships with subcontractors that possess specialised skills provides assurance to our Group of their service quality and efficiency.

Further details of our customers, suppliers and subcontractors are set out in the paragraphs headed "Customers" and "Suppliers and subcontractors" in this section.

We have a strong and experienced management team

In a typical project, our primary responsibilities include (i) supervision of works carried out by workers arranged by our subcontractors with a view to ensuring the conformity of the works with the specifications required by our customers as well as the overall quality of the works; and (ii) overall planning and management of work schedules and arrangements in relation to workers, materials, tools, equipment and other resources required at construction sites with a view to ensuring smooth and timely completion of the works.

Our Directors consider that our experienced project management and supervising staff are essential for our performance in controlling the whole process of the construction projects. Further, our executive Directors and senior management team include a group of highly experienced individuals in the construction industry. Our executive Directors, Mr. CM Ip and Mr. Lau have over 20 and 17 years experience in the formwork works industry, respectively, and have established close relationships with our customers, suppliers and subcontractors. Further, Mr. Wong, a member of our senior management, has over nine years of experience in formwork project management. We believe that the experience of our Directors and management team as well as their extensive knowledge of formwork works in Hong Kong are integral to the success of our Group.

For details of the experience of our Directors and our senior management team, please refer to the section headed "Directors and Senior Management" in this prospectus. Under the leadership of our Directors and our management team, we have built up our construction works capacity and enhanced our market presence. The industry experience accumulated over years by our Directors and our management team have benefited and will continue to benefit our business and prospects.

We have stringent quality control, high safety standard and environmental impact control

We place emphasis on consistently high quality, safety and environmental standards for our service. Our Group has implemented a quality management system, occupational health and safety management system, and environmental management system, which comply with international standards. We have obtained ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 accreditations, respectively. In addition, we have obtained three awards in recognition of our safety performance. Please refer to the paragraph headed "Major qualifications, certifications, awards and recognitions" in this section for more details. In

BUSINESS

order to control the safety aspects of our projects, our safety officer is registered with the Labour Department, and is responsible for attending safety committee meetings, dealing with safety issues, and reporting to our Directors in a timely manner. We also have site supervisors to check the quality of ongoing works and the performance of on-site labours in order to improve our overall service.

We believe that our stringent quality control system and strong commitment to environmental and occupational health and safety management will allow us to deliver quality works on time and within budget, thereby strengthening our position as an established subcontractor for formwork works in Hong Kong.

BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth, further strengthen our position as an established subcontractor for formwork works in Hong Kong and create value for our Shareholders over the long term. The following strategies would be adopted to achieve our objectives:

Expand our market share and formwork work capacity

With our established formwork works experience, our Directors believe we are well positioned to expand our market share in the formwork works industry in Hong Kong and are capable to compete for sizable and profitable formwork works projects. As we have established strong relationships with our customers, we have been invited to submit tenders for a number of projects during the Track Record Period. Accordingly, our Directors believe our Group has plenty of opportunities to expand our market share in both public sector and private sector.

In addition, we plan to expand our formwork work capacity by investing more capital to conduct our projects, sourcing and cooperating with new subcontractors which are highly skilled and experienced, recruiting additional labour with experience to work on site and providing professional trainings to our employees. The net proceeds from the Share Offer is beneficial to our Group in strengthening our capital base, which allows our Group to expand our formwork works capacity and to undertake more projects which are large scale and profitable in terms of contract sum and profit margin in the future. Our Directors consider that taking on more large scale jobs would lessen our overall costs in the management of the workers arranged by our subcontractors as our site supervisors will be able to supervise more workers, further strengthen our market reputation, and increase our competitiveness in the formwork works industry. We expect to utilise part of the net proceeds received from the Share Offer for financing the start-up costs for certain projects commencing from the calendar year 2019. Please refer to the paragraph headed “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus for further details.

Purchase our own metal scaffold equipment

According to the Ipsos Report, falsework is essential in supporting the formwork, the workers, the fresh concrete and construction equipment before the concrete gain sufficient strength to support itself. Metal scaffold is commonly used to form a falsework system. We

BUSINESS

have acquired some metal scaffold equipment during the Track Record Period and we intend to acquire more metal scaffold equipment as our Directors consider that the acquisition of our metal scaffold equipment will reduce our reliance on external metal scaffold equipment suppliers, enhance the efficiency and effectiveness in completing our projects on time, enable us to control the quality of the metal scaffold equipment and reduce the risk of accidents. We plan to finance the purchase of additional metal scaffold equipment by the funds raised from the Share Offer. Please refer to the paragraph headed “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus for further details.

Strengthen our manpower

Our Directors consider that the experience of our project management team is essential for our performance of the project management and supervision functions in our construction projects. In order to cope with our business development and expand our construction works capacity as mentioned above, we intend to expand our project management team by recruiting talented and experienced personnel, and organising regular internal training and seminars for our existing and newly recruited staff with a focus on supervision, safety and quality control. As such, we intend to hire additional staff to support our expansion plan using our internal resources and/or banking facilities.

OUR SERVICES

Our Group principally provides the service of formwork works. Our formwork works mainly include (i) traditional formwork works using timber and plywood; and (ii) system formwork works using aluminium and steel. In addition, upon our customers’ request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering. We have not changed our business focus during the Track Record Period.

The use of formwork

Formwork generally refers to temporary moulds that are erected during the course of general construction of buildings such that concrete can be poured into the formwork for the construction of permanent structures.

Set out below is the process of using formwork to build a concrete structure:

Step 1: Design of formwork structure

Engineers and architects of the main contractors will provide the drawings and the specifications of the concrete structure to us. Our Group, as subcontractor, will be responsible for designing the formwork support structure in accordance with the specifications and requirements of our customers.

Step 2: Level survey and setting out

In order to ensure the formwork will be erected in accordance with the construction drawings, level survey and setting out will be conducted to mark the exact dimensions and positions of the concrete structure. This step is typically carried out by our customers.

Step 3: Preparation of formwork panels

Depending on the project needs and our customer's requirements, the plywood or metal material (aluminium or steel, as the case may be) will be cut into panels of desired size in preparation for the formwork erection. The workers arranged by our subcontractors are generally responsible for cutting the plywood into the desired size, while our suppliers would tailor make the metal into the desired size. Thereafter, the formwork panels are coated with a form release agent, a kind of chemical used to prevent the panels from bonding to the concrete finishes, before erection.

Step 4: Reinforcement bar fixing

Steel reinforcement bars will be cut and bent per project specifications, and then fastened to stay in the correct place to be surrounded by the formwork panels. If we are required to undertake reinforcement bar fixing works under our contracts, we will engage subcontractors to perform the works under our supervision.

Step 5: Formwork erection

Formwork panels are erected to form the mould of the walls, columns, beams and other permanent structures of a building. The formwork panels are connected by struts and waling with the help of nails or bolts. For traditional formwork, timber joists are fixed at even interval to the plywood panel to support the loading against the plywood panel when concrete is poured. The workers arranged by our subcontractors will perform the formwork erection works under our supervision.

Step 6: Alignment checking

After the formwork is erected, the vertical and horizontal alignments will be checked to ensure the formwork erected will not deviate from the original design by a certain amount as specified in the contract. There will be a joint inspection of the alignments by the quantity surveyor of our customers and our site supervisor.

Step 7: Concrete placing

Concrete will be poured with the aid of equipment after ensuring the condition of formwork is firm enough to withstand the concreting process. If we are required to undertake concrete placing under our contracts, we will engage subcontractors to perform the concrete placing works under our supervision.

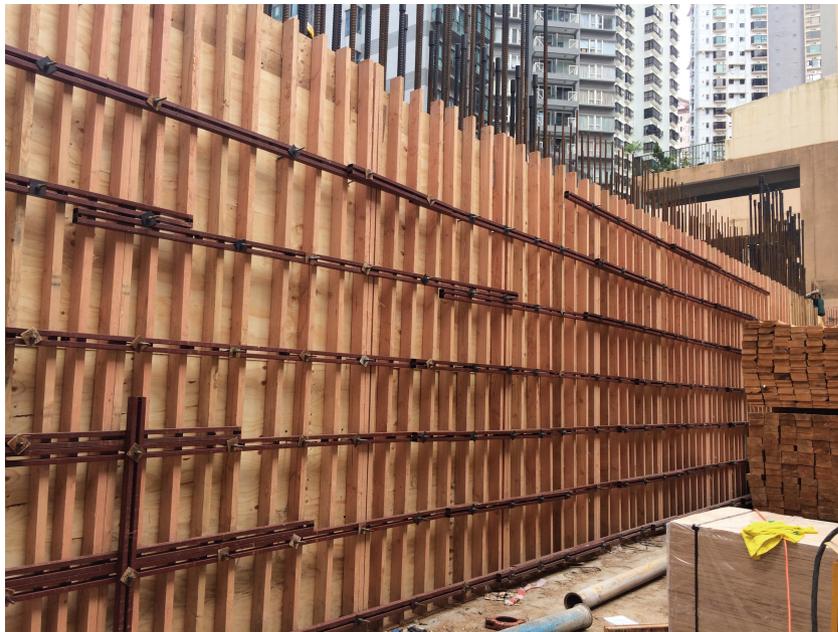
Step 8: Striking of formwork

After the concrete structure has attained sufficient strength, the formwork will be removed. The minimum period which must elapse before the removal of formwork varies for different types of formwork. For example, a minimum period of 12 hours must have elapsed before the removal of wall formwork and column formwork. The striking works are performed by the workers arranged by our subcontractors under our supervision.

Illustration on the use of formwork

Set out below are illustrations of the use of different types of formwork undertaken by our Group.

(i) Traditional formwork



(ii) *System formwork*



Formwork works

Our services of formwork works typically include designing the formwork support structure, carrying out formwork erection and striking works on site in accordance with the drawings and specifications provided by our customers.

We normally engage subcontractors to carry out reinforcement bar fixing, formwork erection, formwork striking, concrete placing and plastering on site. We mainly focus on: (a) the supervision of works carried out by our subcontractors; (b) designing the formwork support structures; (c) the overall planning and management of work schedules and arrangements in relation to the workers, materials, equipment and other resources required at construction sites.

Types of formworks

During the Track Record Period, our formwork works mainly included (i) traditional formwork using timber and plywood, and (ii) system formwork using aluminium and steel. Our choice of installation method depends on the specific requirements of the contract, the cost effectiveness of the materials and project needs. Traditional formwork is generally used where different designs are required for different levels of the same building, and when material changes to the formwork designs are expected. System formwork is generally used in projects with largely identical storeys. Set out below are the characteristics of the two types of formwork adopted in our projects during the Track Record Period:

BUSINESS

Type of formwork	Material of formwork	Advantages	Disadvantages
Traditional	Timber and plywood	<ul style="list-style-type: none">● High adaptability to different and complicated shapes● Economical for small-scale construction projects	<ul style="list-style-type: none">● Labour and skill intensive● Shorter life span and lower reusability● Time-consuming
System	Aluminium and steel	<ul style="list-style-type: none">● Less demanding on skill and less labour force required for erecting and striking formwork● Longer life span and higher reusability● Better concrete finish	<ul style="list-style-type: none">● Low flexibility as design cannot be easily changed after the formwork is fabricated● High initial set up cost

According to the Ipsos Report, formwork is a temporary mould which concrete is poured into and formed, and is disassembled once the concrete has gained sufficient strength. In order to reduce the construction waste and costs, it is common practice to reuse the raw materials such as timber, plywood and aluminium which are in good condition in the same construction project in the formwork works industry. The timber and plywood used in traditional formwork has a relatively shorter lifespan and lower reusability compared to aluminium and steel used in system formwork. Hence, formwork contractors which use traditional formwork often purchase raw materials more frequently. Despite the shorter lifespan of timber and plywood as compared to aluminium and steel, they can also be reused in the same construction project. On the other hand, the aluminium and steel used in system formwork are relatively costly with a higher initial set up cost but the materials can generally be used repeatedly in the same project.

Among the 34 formwork works projects undertaken by us during the Track Record Period and up to the Latest Practicable Date (including the projects completed and projects on hand), 16 projects adopted traditional formwork only, 3 projects adopted system formwork only, while 15 projects adopted a combination of traditional and system formwork.

Other construction works

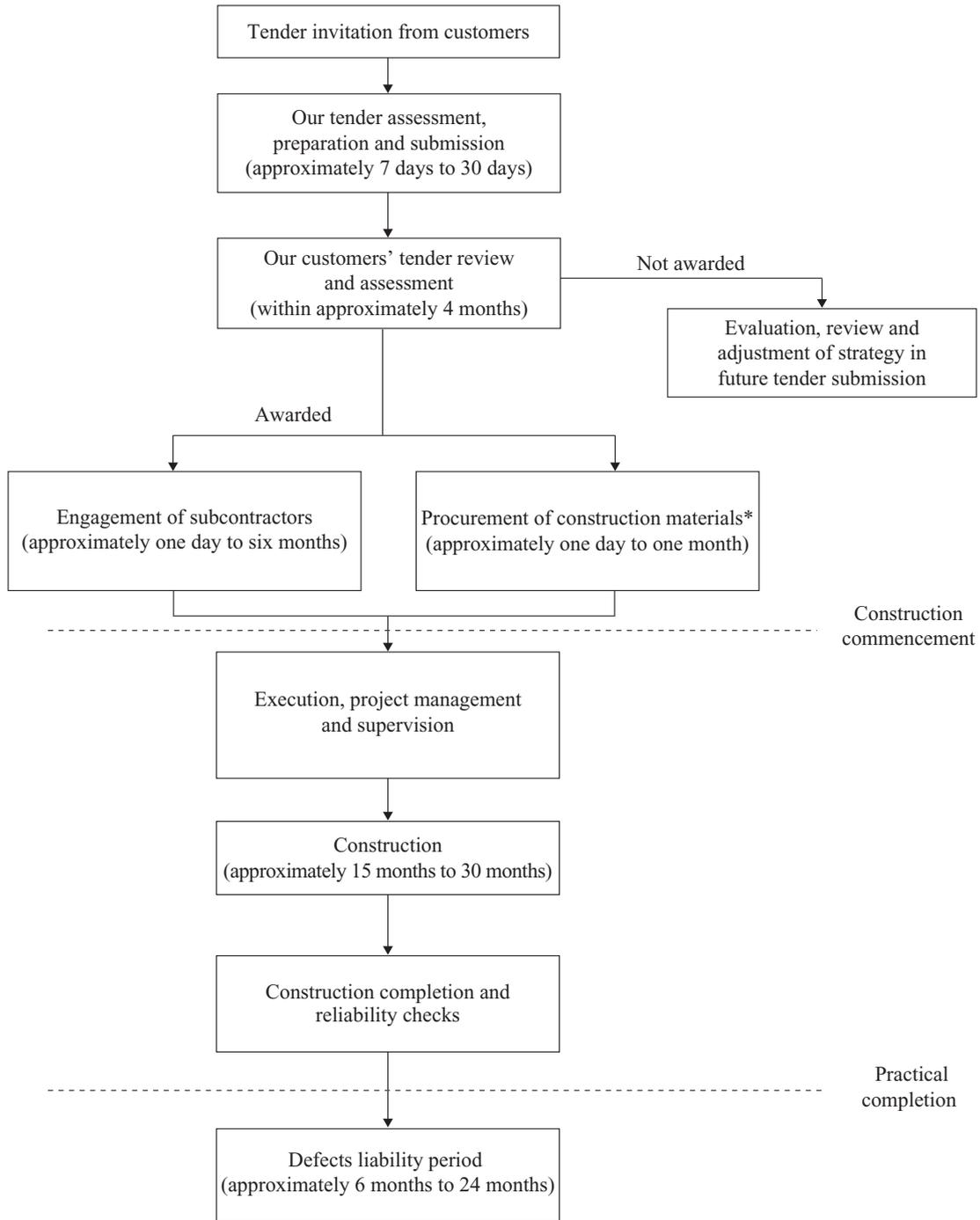
Upon request from our customers, we may also provide other construction works to our customers such as A&A works and plastering. A&A works refer to the alteration and addition works to an existing building including structural alteration and modification. If we are required to perform A&A works and plastering under our contract, we will engage subcontractors to perform the works. In addition, during the Track Record Period, we also undertook two projects entailing a combination of formwork works, concrete placing and/or reinforcement bar fixing. We generally subcontract reinforcement bar fixing and concrete placing works to subcontractors specialising in these trades. For details of the works relating to reinforcement bar fixing and concrete placing, please refer to the paragraph headed “Our services – The use of formwork” in this section above.

BUSINESS MODEL AND OUR OPERATION

Our service in relation to formwork works typically includes designing the formwork support structure, carrying out formwork erection and formwork striking on site in accordance with the drawings and specifications provided by our customers. Upon our customers’ request, we also provide other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering in order to maintain relationship with our customers.

BUSINESS

Our typical operating process of formwork works is outlined below:



(* The process might be undertaken throughout the construction period.)

Pre-tendering activities

We source potential formwork works projects mainly through invitation to tender. We generally receive tender invitations from main contractors which have previously engaged us in other projects or have a business relationship with us. We are normally provided with, amongst others, the specifications, design drawings and other relevant information along with the invitations for preparation of the quotation and other tender submission documents. At the invitation of our customers, we may collect their tender documents at the assigned address as stated in tender invitation letters and conduct the tender assessment and preparation works.

Our tender assessment, preparation and submission

After collecting the tender documents from our customers, we would review the tender documents by assessing, amongst other things, the estimated number and types of workers required, the methodology and complexity of the project, the completion time requested by customers, the amount of further subcontracting work expected and the specifications stated in the tender document. We would also perform onsite inspection where necessary to further enhance our understanding about the project.

If we decide to pursue the potential formwork works project after our assessment, we will commence the preparation of our quotation and other documents as required in the tender documents. In this regard, we will consider the costs of engaging subcontractors, purchasing construction materials and rental of equipment as well as the potential manpower arrangement. Generally, in the process of preparing the rates charged by us for each item, we would obtain quotations from subcontractors and suppliers. For the detailed information of our pricing strategy, please refer to the paragraph headed “Customers – Pricing policy” in this section.

Our customers’ tender review, assessment and award of contract

Upon receipt of our tender submission, our customer may by way of interviews or enquiry letters clarify and negotiate with us the particulars of our submission and the contract terms. For details of the major contract terms with our customers, please refer to the paragraph headed “Customers – Key contract terms with our major customers” in this section. It generally takes around four months for our customers to consider our tenders, for which the reviewing time required by our customers mainly depends on the complexity of the projects and number of queries they send to us or other bidders.

To the best of our Directors’ knowledge, when the customers determine their preference or ranking of the bidders, they might consider three main factors: (i) the bidder’s tender price; (ii) the bidder’s financial position and (iii) the bidder’s capability and track record. Based on the review results, the customer will issue a letter of award to confirm our engagement and we generally enter into a formal agreement with the customer once the contract terms are finalised. Based on our Directors’ experience, if we have not received any information from our customers within 6 months after our tender submission, we will consider our bid as failed and we will review and adjust our strategy in preparing future tender submissions.

BUSINESS

The following table sets out the number of contracts tendered, number of successfully tendered contracts and our success rate during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018
Number of tender invitations received	23	33	48	61
Number of tenders submitted	18	30	42	27
Number of tenders won	5	5	16	6
Success rate (%)	27.8%	16.7%	38.1%	22.2%

Note: The number of tenders won and success rate for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 are calculated based on the tender submission date, instead of the actual dates when we receive the tender results.

After the Track Record Period and up to the Latest Practicable Date, there were 17 tender submissions submitted by our Group, of which 2 tenders have been awarded to us as at the Latest Practicable Date.

There has been a steady increase in the number of tender invitations received by our Group from FY2015/16 to nine months ended 31 December 2018. Our Directors consider that the increase in the number of tender invitations received is an indication of our presence and reputation in the formwork works industry.

We may respond to tender invitations by submitting tenders even at times when we may not have sufficient capacity to undertake more projects. Our Directors believe such strategy allows us to (i) maintain relationship with our long established customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market development and pricing trends which are useful to us in tendering for projects in the future. Due to such strategy and subject to our available resources and working capital from time to time, we may submit tenders which are less competitive for certain projects, thereby leading to fluctuations in our overall tender success rates from period to period. Specifically, our tender success rate decreased significantly from approximately 27.8% for FY2015/16 to approximately 16.7% for FY2016/17, mainly due to a number of relatively sizeable contracts including the Hong Kong Children's Hospital project and the Chai Wan Road project awarded to us during FY2015/16 with contract period of up to approximately 2.5 years which were expected to take up substantial amounts of our available resources and working capital to execute, thereby limiting our available resources for undertaking additional contracts. Therefore, during FY2016/17, some of the tenders we submitted were less competitive in terms of pricing, as we were not particularly keen on winning such tenders but at the same time we wished, through participating in the tender process, to maintain our relationship with the relevant customers, to maintain our presence in the market, and to be informed of the latest market development and pricing trends. Given our tender strategy and in view of the aggregate amount of initial contract sum in respect of the contracts awarded

BUSINESS

to us during the Track Record Period and our current projects on hand, our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

Engagement of subcontractors

In consideration of the mobility of construction labour, the cost and the risk of employing a large amount of labour, we usually engage subcontractors, which mainly provide and arrange labour for construction works. We maintain an internal list of approved subcontractors, and we have kept good business relationship with certain subcontractors for more than seven years. We would also seek business cooperation with new subcontractors while at the same time engage existing subcontractors. Our Directors consider the criteria in selecting our subcontractors are mainly their subcontracting charges, quality of work done, track records, safety performance and reputation.

The agreement between our subcontractors and us generally contains key terms and conditions including the scope of works with contract price and payment terms specified. For details on our subcontracting arrangements, please refer to the paragraph headed “Suppliers and subcontractors – Subcontracting” in this section.

Procurement of construction materials and rental of equipment

Depending on our agreements with our customers, the construction materials may be purchased by us or by our customers on a case-by-case basis. Usually, we were required to procure construction materials such as timber, plywood, aluminium formwork and steel formwork during the Track Record Period. The costs of purchasing construction materials would usually be borne by us. Where materials were provided by our customers, the cost of such materials would be directly deducted from interim payment to us. For details, please refer to the paragraph headed “Customers – Contra-charge arrangement with our customers which are also our suppliers” in this section. During the Track Record Period, our Group did not purchase any construction materials and consumables on behalf of our subcontractors.

The construction materials we purchase from suppliers mainly include timber, plywood, aluminium formwork and steel formwork. The construction materials required in our formwork works are normally procured on a project-by-project basis and we do not maintain any inventory.

Consumables such as iron nail, screw and rubber sleeve, and equipment required for carrying out the works such as electric saw, electric drill and other cutting machine, are provided by us or by our subcontractors under their agreements with us.

In addition, as our subcontractors generally do not provide metal scaffold equipment under their agreements with us, we rent the metal scaffold equipment from suppliers to support our formwork structure on a project-by-project basis.

BUSINESS

Execution, project management and supervision

The on-site construction works are carried out by the workers arranged by subcontractors and we mainly focus on the supervision of works carried out by our subcontractors and the overall planning and management of work schedules and arrangements in relation to the workers, materials, equipment and other resources required at work sites.

Construction

Forming a project team

Depending on the level of complexity and scale of the formwork works projects, our project team generally comprises project manager, site supervisor, safety supervisor, and quantity surveyor.

Set out below are the main responsibilities of the major roles of our project team:

Our project manager is mainly responsible for monitoring closely the progress of and compliance with the statutory requirement of the project on a continuous basis.

Our site supervisor is mainly responsible for formulating works execution schedule, supervising workers to carry out works in accordance with the project specifications and the construction programme and recording daily project progress. Our site supervisor will directly report to our project manager on project status and any issues arising out of the project.

Our safety supervisor is mainly responsible for performing safety checks at project sites.

Our quantity surveyor is mainly responsible for assessing quantity of completed works, preparing interim payment submissions and assist in the preparation of final accounts application.

Variation orders

Our customer may, in the course of project execution, place orders concerning variation to part of the works. Such orders are commonly referred to as variation orders. Variation orders may include addition, omission, substitution, modification, alteration of works and changes in dimension or time schedule of works.

If we are required to carry out variation works, our customer will notify us and provide a description of the works to be carried out for such variation order. In general, our quantity surveyors will, based on the variation of construction works required to be conducted, prepare and submit the quotation for such variation order with detailed assessment to our customer for approval.

BUSINESS

In respect of our projects completed during each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 where the amount of revenue recognised were lower than the initial contract sum, such differences amounted to an aggregate of approximately HK\$0.5 million, nil, HK\$91.5 million and HK\$2.0 million, respectively. The revenue recognised was substantially lower than the initial contract sum for the projects completed during FY2017/18 mainly due to the early termination of a project with Customer Co-Make. Please refer to the paragraph headed “Customers – Major customers” in this section below. In respect of our projects completed during each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 where the amount of revenue recognised were higher than the initial contract sum, such differences amounted to an aggregate of approximately HK\$5.7 million, HK\$17.3 million, HK\$100.1 million and HK\$6.0 million, respectively. The revenue recognised was substantially higher than the initial contract sum for the projects completed during FY2017/18 was mainly due to the variation orders of the Hong Kong Children’s Hospital project, Tai Po Water Treatment Facilities project and Deep Water Bay Drive project which amounted to approximately HK\$63.9 million, HK\$16.4 million and HK\$14.6 million, respectively. The variation orders for the Hong Kong Children’s Hospital were mainly due to changes in time schedule of works, while the variation orders for the Tai Po Water Treatment Facilities project and Deep Water Bay project were mainly due to changes in designs by the respective customers. Our total revenue for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 amounted to approximately HK\$199.4 million, HK\$378.6 million, HK\$361.9 million and HK\$300.1 million, respectively.

Customer inspection and acceptance

In the course of execution of the construction projects, our customers would inspect our work done, supervise our health and safety performance, provide training to the workers and arrange on-site project meetings from time to time.

During the process of our construction works, our customers would issue payment certificates to us after certifying our monthly payment applications based on their assessment of work done by us.

Payment

We generally do not receive any sums as prepayment from our customers after being awarded with a construction project. The revenue recognised from a construction project is commensurate with the value of the works performed by us. In accordance with our terms of the contracts with customers, we are generally required to submit to our customers monthly payment applications which are written statements of the value of our work done under the contracts along with any variation orders performed. Our customers will assess the payment applications and certify the amount we are entitled to be paid for the relevant month. Payment certificates will be issued to us and the payments will be made to us thereafter. In general, it takes less than 60 days to receive the certified amount after the issuance of payment certificate. Our customers will usually retain an amount ranging from 5% to 10% of the value of work done subject to a maximum limit of up to 10% of the contract sum as retention money for the contract.

BUSINESS

We pay our subcontractors on a monthly basis, based on our subcontractors' payment applications and our certification procedures, after deducting the retention money of a maximum limit of 5% (if applicable) and the wages our Group paid on behalf of our subcontractors to their workers directly. We normally certify the payment application and issue the payment by bank transfer or by cheque within 30 days upon receiving the payment applications from our subcontractors. We may pay our subcontractors and suppliers before receiving payments from our customers, resulting in an increase in our working capital requirements. For further details, please refer to "Risk Factors – Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our suppliers and subcontractors" in this prospectus.

Construction completion and reliability checks

In general, we regard a project as practically completed (excluding the defects liability period) once we have completed all the works as required in the contract between our customer and us. We will then remove workers from the construction site such that our customer and its other subcontractors can continue their works according to the construction work programme. We will then submit a final account application to our customer, which sets out the final outstanding balance due from our customer after our project being practically completed.

In order to ensure due completion of our project, our customers will usually be given the right to withhold retention money as mentioned above. Part of the retention money will generally be released to us upon the execution of the final account or the issuance of the certificate of completion of our contract works while the remaining part of the retention money will be released to us upon expiry of defects liability period and the completion of all the rectification works to the full satisfaction of the employer of the construction project and the main contractor. As at 31 December 2018, the retention money withheld by our customers for completed works amounted to approximately HK\$62.9 million and approximately HK\$5.8 million of such retention money withheld by our customers has been released to us up to the Latest Practicable Date.

Depending on our agreements with our subcontractors, we may withhold a maximum limit of 5% of each of the progress payment due to our subcontractors as retention money to guarantee their due completion of the construction works. As at 31 December 2018, the retention money withheld by us for the works completed by our subcontractors amounted to approximately HK\$2.1 million.

Defects liability period

In general, subject to the requirements of different projects, we are required by our customers to provide a defects liability period during which we remain responsible for rectifying any defects or imperfections in relation to our works performed. Our subcontractors will rectify the defects identified by our customer during such period. Alternatively, our customers may arrange for the rectification and require us to bear the relevant costs. Our defects liability period will generally be a specified period, usually six to 24 months, after the issuance of the certificate of completion of our contract works. Such period is set by our customers and stated in the contract.

BUSINESS

OUR PROJECTS

During the Track Record Period and up to the Latest Practicable Date, we have undertaken 39 projects (including the projects completed and projects on hand), including 34 formwork works projects. We consider the construction works under separate contracts but awarded by the same customer and in the same development as one project. All projects during the Track Record Period and up to the Latest Practicable Date were located in Hong Kong.

Set out below is the table showing the number of projects completed and awarded to us and the respective contract sum during the Track Record Period and up to the Latest Practicable Date:

	Number of Projects ^(Note 2)	Initial Contract Sum ^(Note 3) HK\$'000
As at 1 April 2015		
Existing projects	9	265,072
During FY2015/16		
Projects completed	(4)	(91,709)
New projects awarded ^(Note 1)	<u>5</u>	<u>358,489</u>
As at 31 March 2016		
Existing projects	<u>10</u>	<u>531,852</u>
During FY2016/17		
Projects completed	(4)	(108,338)
New projects awarded ^(Note 1)	<u>4</u>	<u>240,835</u>
As at 31 March 2017		
Existing projects	<u>10</u>	<u>664,349</u>
During FY2017/18		
Projects completed	(8)	(518,726)
New projects awarded ^(Note 1)	<u>12</u>	<u>730,638</u>
As at 31 March 2018		
Existing projects	<u>14</u>	<u>876,261</u>
During the nine months ended 31 December 2018		
Projects completed	(5)	(248,796)
New projects award ^(Note 1)	<u>7</u>	<u>504,819</u>
As at 31 December 2018		
Existing projects	<u>16</u>	<u>1,132,284</u>

BUSINESS

	Number of Projects ^(Note 2)	Initial Contract Sum ^(Note 3) <i>HK\$'000</i>
For the period between 1 January 2019 and up to Latest Practicable Date		
Projects completed	(2)	(79,350)
New projects awarded ^(Note 1)	2	155,002
As at the Latest Practicable Date		
Existing projects	16	1,207,936

Notes:

1. Number of projects awarded for each financial year includes all projects with respect to which our engagement was confirmed during the financial year.
2. We consider the construction works under separate contracts but offered by the same customer and in the same development as one project.
3. The contract sum is based on the initial agreement between our customer and us and may not include additions and/or modifications due to subsequent variation orders. As such, final revenue recognised from a contract may differ from the initial contract sum.

BUSINESS

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

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018	Subsequent to the Track Record Period and up to the Latest Practicable Date
	<i>HK\$'000</i>	<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	92,574	269,333	209,872	509,650	723,255
Add: initial contract sum of new projects	358,489	240,835	730,638	504,819	155,002
Add: variation orders	19,346	79,790	17,661	8,302	6,280
Add: adjustments in the contract sum due to remeasurement or changes in work scope	(1,653)	(1,459)	(86,648)	550	(48,316)
Less: revenue recognised in the financial year/period	<u>(199,423)</u>	<u>(378,627)</u>	<u>(361,873)</u>	<u>(300,066)</u>	<u>(188,383)</u>
Outstanding contract value on hand as at the year/period end date	<u>269,333</u>	<u>209,872</u>	<u>509,650</u>	<u>723,255</u>	<u>647,838</u>

Our projects undertaken during the Track Record Period varied in size, complexity and scope of works and as such the duration for each project varied depending on the time required to complete a project and in accordance with main contractor's programme. After the whole construction completed, the retention money of some projects will only be settled after the defects liability period expires. Further details on the defects liability period and retention money are set out in the paragraph headed "Customers – Key contract terms with our major customers" in this section below.

Formwork works projects and other construction works projects

During the Track Record Period, the formwork works undertaken by our Group mainly include (i) traditional formwork using timber and plywood and (ii) system formwork using aluminium and steel. Upon our customers' request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering. The table below sets out a breakdown of our revenue by types of works during the Track Record Period.

BUSINESS

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Formwork works								
– Traditional formwork	147,004	73.7	306,991	81.1	74,100	20.5	38,564	12.9
– System formwork	–	–	–	–	128,092	35.4	51,170	17.1
– Traditional and system formwork	17,700	8.9	64,612	17.1	147,988	40.9	205,713	68.5
Other construction works (Note)	34,719	17.4	7,024	1.8	11,693	3.2	4,619	1.5
Total:	199,423	100	378,627	100	361,873	100	300,066	100

Note: Other construction works included A&A works, plastering and two projects entailing a combination of formwork works, concrete placing and/or reinforcement bar fixing.

Private sector projects and public sector projects

Since we are registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council, we are able to undertake formwork works for both the private and public sectors in Hong Kong. However, as we serve as a subcontractor in the construction industry, we do not enter into contracts with the Government and statutory bodies directly. For discussion purpose, the public sector projects and private sector projects in this prospectus are based on the ultimate project employers instead of our direct customers. The table below sets out a breakdown of the revenue generated by project sector during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Private sector	123,758	62.1	203,284	53.7	340,532	94.1	266,848	88.9
Public sector	75,665	37.9	175,343	46.3	21,341	5.9	33,218	11.1
Total	199,423	100.0	378,627	100.0	361,873	100.0	300,066	100.0

BUSINESS

Projects completed during the Track Record Period

During the Track Record Period, we have completed 21 projects. The following table sets out details of our projects completed during the Track Record Period:

Project No. <i>(Note 1)</i>	Location of project	Project sector <i>(Public/private)</i>	Type of works	Project period		Initial contract sum <i>HK\$'000 (Note 3)</i>	Revenue recognised during the Track Record Period
				From <i>(Note 2)</i>	To <i>(Note 2)</i>		<i>HK\$'000 (Note 4)</i>
P1	Residential development at Davis Street in Kennedy Town	Private	Traditional formwork	December 2013	January 2016	14,534	1,627 <i>(Note 5)</i>
P2	Residential development at Ko Shan Road in Hung Hom	Private	Traditional formwork	March 2014	November 2015	31,500	4,843 <i>(Notes 5 and 6)</i>
P3	Residential development at Inverness Road in Kowloon Tong	Private	Traditional formwork	March 2014	February 2016	43,610	8,726 <i>(Note 5)</i>
P4	University in North Point	Private	Traditional formwork	March 2014	November 2016	43,138	24,093 <i>(Note 5)</i>
P5	Residential development at Seymour Road in Mid-levels	Private	Traditional formwork	July 2014	August 2016	31,922	24,281 <i>(Note 5)</i>
P6	Commercial building at Des Voeux Road Central in Central	Private	A&A works	June 2014	July 2016	3,350	1,048 <i>(Note 5)</i>
P7	Water treatment facilities in Tai Po	Public	Traditional formwork, reinforcement bar fixing and concrete placing	August 2014	December 2017	65,025	43,085 <i>(Note 5)</i>
P8	Water treatment facilities in Tai Po	Public	Formwork and concrete placing	March 2017	September 2017	6,585	6,585
P9	Residential development at Conduit Road in Mid-Levels	Private	Traditional and system formwork	August 2014	April 2016	29,928	12,798 <i>(Note 5)</i>

BUSINESS

Project No. <i>(Note 1)</i>	Location of project	Project sector <i>(Public/private)</i>	Type of works	Project period		Initial contract sum <i>HK\$'000 (Note 3)</i>	Revenue recognised during the
				From <i>(Note 2)</i>	To <i>(Note 2)</i>		Track Record Period <i>HK\$'000 (Note 4)</i>
P10	Residential development at Lot 6515 in Kai Tak	Private	Traditional formwork	March 2015	December 2015	2,065	2,364
P11	Residential development at Deep Water Bay Drive in Deep Water Bay	Private	Traditional formwork	July 2015	October 2017	48,753	63,394
P12	Hong Kong Children's Hospital in Kai Tak	Public	Traditional formwork	October 2015	April 2017	151,950	215,899
P13	Residential redevelopment at Lok Lam Road, Fotan	Private	Traditional formwork	December 2015	June 2017	9,957	10,527
P14	Residential development at Lot 508 in Tuen Mun	Private	Traditional and system formwork	December 2015	January 2018	51,934	56,099
P15	Redevelopment of a monastery at Lung Ha Wan in Sai Kung	Private	Traditional formwork	September 2016	November 2017	7,213	7,643
P16	Residential development in Tseung Kwan O	Private	System formwork	June 2017	December 2017	177,309	85,820 <i>(Note 7)</i>
P17	Residential development at Chai Wan Road, Shau Kei Wan	Private	Traditional formwork	November 2015	May 2018	95,895	99,836
P19	Commercial development at Wong Chuk Hang Road in Wong Chuk Hang	Private	Traditional formwork	November 2016	April 2018	50,000	46,298
P20	Residential development in Tseung Kwan O	Private	System formwork	January 2018	July 2018	93,293	93,442

BUSINESS

Project No. <i>(Note 1)</i>	Location of project	Project sector <i>(Public/private)</i>	Type of works	Project period		Initial contract sum <i>(Note 3)</i>	Revenue recognised during the
				From <i>(Note 2)</i>	To <i>(Note 2)</i>		Track Record Period <i>(Note 4)</i>
P23	Residential development at Tai Tong in Yuen Long	Private	Traditional formwork	October 2017	November 2018	6,081	5,609
P28	Residential development in Discovery Bay	Private	Plastering	January 2018	July 2018	3,527	2,010

Notes:

- (1) We consider the construction works under separate contracts but awarded by the same customer and in the same development as one project.
- (2) The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant project set out in our record or the letter of award or in the payment certificates issued by our customer together with our Directors' judgement as to the practicable commencement or completion of each project.
- (3) The initial contract sum refers to the contract sum as stated in the relevant letter of award or the contract, and does not include any modifications due to variation orders.
- (4) The works of the relevant projects include not only the original scope of works as stated in the contract but also the variation works as instructed by our customers. Thus the revenue recognised during the Track Record Period for these projects were different from their respective initial contract sums.
- (5) The works of the relevant projects were commenced prior to the Track Record Period and certain portion of the revenue had already been recognised before the period indicated. Thus the revenue recognised during the Track Record Period for these projects were different from their respective initial contract sums.
- (6) We recorded aggregate gross loss of approximately HK\$720,000 in the relevant project and the project was completed in November 2015. The loss was mainly due to the additional subcontracting charges, materials and manpower required to complete the construction as a result of unforeseen difficulties raised during the on-site construction. Our Directors consider there is no material adverse impact on our Group's profitability and/or financial position because (i) the aggregate gross loss attributed to such project only amounted to approximately HK\$720,000; and (ii) our Group did not have any other loss-making project for projects completed during the Track Record Period and up to the Latest Practicable Date.
- (7) The relevant project was terminated before the expected completion date as a result of the early termination between Customer Co-Make and its customer. For details, please refer to the paragraph headed "Customers – Major customers" in this section below.

BUSINESS

Our five largest projects

The following table sets out the information of our five largest projects for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 in terms of revenue contribution:

FY2015/16

Rank	Project No. <i>(Note 1)</i>	Customer	Date of commencement of our works <i>(Note 2)</i>	Date of completion of our works <i>(Note 2)</i>	Revenue recognised for the year <i>(HK\$'000)</i>	% of total revenue recognised for the year
1	P12	Customer C	October 2015	April 2017	40,975	20.5
2	P7	Customer D	August 2014	December 2017	34,691	17.4
3	P11	Customer A	July 2015	October 2017	31,766	15.9
4	P4	Customer Hip Hing	March 2014	November 2016	21,698	10.9
5	P5	Customer Hip Hing	July 2014	August 2016	20,210	10.1

FY2016/17

Rank	Project No. <i>(Note 1)</i>	Customer	Date of commencement of our works <i>(Note 2)</i>	Date of completion of our works <i>(Actual/ expected)</i> <i>(Note 2)</i>	Revenue recognised for the year <i>(HK\$'000)</i>	% of total revenue recognised for the year
1	P12	Customer C	October 2015	April 2017	169,340	44.7
2	P17	Customer A	November 2015	May 2018	78,373	20.7
3	P14	Customer A	December 2015	January 2018	47,182	12.5
4	P11	Customer A	July 2015	October 2017	22,172	5.9
5	P18	Customer Hip Hing	October 2016	June 2019	17,431	4.6

BUSINESS

FY2017/18

Rank	Project No. <i>(Note 1)</i>	Customer	Date of commencement of our works <i>(Note 2)</i>	Date of completion of our works <i>(Actual/expected)</i> <i>(Note 2)</i>	Revenue recognised for the year <i>(HK\$'000)</i>	% of total revenue recognised for the year
1	P18	Customer Hip Hing	October 2016	June 2019	89,564	24.8
2	P16	Customer Co-Make	June 2017	December 2017	85,820	23.7
3	P20	Customer G	January 2018	July 2018	42,272	11.7
4	P19	Customer Hip Hing	November 2016	April 2018	29,948	8.3
5	P21 <i>(Note 3)</i>	Kowloon Development Engineering Limited	July 2017	January 2019	24,656	6.8

For the nine months ended 31 December 2018

Rank	Project No. <i>(Note 1)</i>	Customer	Date of commencement of our works <i>(Note 2)</i>	Date of completion of our works <i>(Actual/expected)</i> <i>(Note 2)</i>	Revenue recognised for the period <i>(HK\$'000)</i>	% of total revenue recognised for the period
1.	P31	Customer D	April 2018	September 2019	82,980	27.7
2.	P20	Customer G	January 2018	July 2018	51,170	17.1
3.	P26 <i>(Note 3)</i>	Customer Hip Hing	October 2017	June 2019	29,276	9.8
4.	P18	Customer Hip Hing	October 2016	June 2019	25,052	8.3
5.	P25	Customer I	September 2017	December 2019	23,655	7.9

Notes:

- (1) We consider the construction works under separate contracts but awarded by the same customer and in the same development as one project.
- (2) The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant project set out in the actual work schedule or the letter of award or in the payment certificates issued by our customer together with our Directors' judgement as to the practicable commencement or completion of each project.
- (3) The relevant projects were completed subsequent to the Track Record Period but before the Latest Practicable Date.

Projects on hand

We had 16 projects on hand as at the Latest Practicable Date that have been awarded to us but not completed. Out of these projects, 4 projects were awarded under fixed fee contracts, from which the total revenue to be recognised is estimated to be HK\$275.3 million for FY2018/19 and thereafter. The remaining 12 projects were awarded under provisional fee contracts, from which the total revenue to be recognised is estimated to be HK\$760.8 million for FY2018/19 and thereafter. For further details of the fixed fee contracts and provisional fee contracts, please refer to the paragraph headed “Customers – Key contract terms with our major customers” in this section.

The following table sets out the projects on hand that have been awarded to us but not completed as at the Latest Practicable Date from which revenue has been or is expected to be derived for FY2018/19, FY2019/20 and/or thereafter:

Project No. <i>(Note 1)</i>	Location of project	Project sector <i>(Public/private)</i>	Type of works	Project period		Type of contract (Fixed fee/ Provisional fee)	Initial contract sum <i>HK\$'000 (Note 3)</i>	Revenue recognised during the Track Record Period <i>HK\$'000</i>	Revenue recognised/expected to be recognised for FY2018/19, FY2019/20 and thereafter <i>HK\$'000</i>
				From <i>(actual/expected) (Note 2)</i>	To <i>(actual/expected) (Note 2)</i>				
P18	Development at Lots 2 and 11 in Tung Chung	Private	Traditional and system formwork	October 2016	June 2019	Provisional fee	177,037	132,047	FY2018/19: 26,307 FY2019/20: – After FY2019/20: –

BUSINESS

Project No. (Note 1)	Location of project	Project sector (Public/private)	Type of works	Project period		Type of contract (Fixed fee/ Provisional fee)	Initial contract sum HK\$'000 (Note 3)	Revenue recognised during the Track Record Period HK\$'000	Revenue recognised/expected to be recognised for FY2018/19, FY2019/20 and thereafter
				From (actual/expected) (Note 2)	To (actual/expected) (Note 2)				
P22	Sports centre, community hall and football pitches in Tai Po	Public	Traditional formwork	December 2017	April 2021	Provisional fee	84,698	5,969	FY2018/19: 10,551 FY2019/20: 48,849 After FY2019/20: 26,212
P24	Residential redevelopment at Ma Tau Wai Road in To Kwa Wan	Private	Traditional and system formwork	September 2017	June 2019	Provisional fee	30,234	32,212	FY2018/19: 14,350 FY2019/20: – After FY2019/20: –
P25	Redevelopment in Shau Kei Wan	Public	Traditional and system formwork	September 2017	December 2019	Provisional fee	59,955	29,897	FY2018/19: 33,587 FY2019/20: 21,113 After FY2019/20: –

BUSINESS

Project No. (Note 1)	Location of project	Project sector (Public/private)	Type of works	Project period		Type of contract (Fixed fee/Provisional fee)	Initial contract sum HK\$'000 (Note 3)	Revenue recognised during the Track Record Period HK\$'000	Revenue recognised/expected to be recognised for FY2018/19, FY2019/20 and thereafter
				From (actual/expected) (Note 2)	To (actual/expected) (Note 2)				
P27	Residential development at Lot 514 in Tuen Mun	Private	Traditional and system formwork	November 2017	August 2019	Provisional fee	36,000	27,807	FY2018/19: 26,705 FY2019/20: 3,292 After FY2019/20: –
P29	Residential development at Tai Wai Station	Private	Traditional and system formwork	August 2019	June 2022	Fixed fee	217,686	–	FY2018/19: – FY2019/20: 80,000 After FY2019/20: 137,686
P30	Residential and commercial development at Pok Fu Lam Road in Pok Fu Lam	Private	Traditional and system formwork	April 2018	August 2019	Fixed fee	17,952	13,031	FY2018/19: 14,409 FY2019/20: 3,647 After FY2019/20: –
P31	Residential development at Kwun Chui Road in Tuen Mun	Private	Traditional and system formwork	April 2018	September 2019	Provisional fee	142,239	82,980	FY2018/19: 122,283 FY2019/20: 23,886 After FY2019/20: –
P32	Residential development at Chong Nga Road in Tai Po	Public	Traditional and system formwork	August 2018	March 2020	Provisional fee	46,686	4,132	FY2018/19: 7,257 FY2019/20: 39,429 After FY2019/20: –
P33	Residential development at Lai Chi Shan	Private	Traditional and system formwork	December 2018	June 2020	Provisional fee	103,414	2,045	FY2018/19: 13,260 FY2019/20: 74,000 After FY2019/20: 16,154

BUSINESS

Project No. (Note 1)	Location of project	Project sector (Public/private)	Type of works	Project period		Type of contract (Fixed fee/Provisional fee)	Initial contract sum HK\$'000 (Note 3)	Revenue recognised during the Track Record Period HK\$'000	Revenue recognised/expected to be recognised for FY2018/19, FY2019/20 and thereafter
				From (actual/expected) (Note 2)	To (actual/expected) (Note 2)				
P34	Residential development at Marble Road in North Point	Private	Traditional and system formwork	August 2018	December 2019	Provisional fee	16,095	4,618	FY2018/19: 6,954 FY2019/20: 9,141 After FY2019/20: –
P35	Residential development at Deep Water Bay Drive in Deep Water Bay	Private	A&A works	July 2018	June 2019	Fixed fee	3,500	3,500	FY2018/19: 4,564 FY2019/20: – After FY2019/20: –
P36	Residential development at Ma Tau Wai Road	Private	Traditional and system formwork	December 2018	December 2019	Fixed fee	35,000	134	FY2018/19: 4,509 FY2019/20: 30,529 After FY2019/20: –
P37	Residential development in Tin Shui Wai Town	Private	Traditional formwork	November 2018	June 2020	Provisional fee	82,438	2,500	FY2018/19: 13,648 FY2019/20: 45,000 After FY2019/20: 23,791
P38	Residential development in Ap Lei Chau	Private	Traditional and system formwork	March 2019	June 2020	Provisional fee	109,297	–	FY2018/19: 1,273 FY2019/20: 86,849 After FY2019/20: 21,175
P39	Composite development in Kai Tak	Private	System formwork	October 2019	June 2020	Provisional fee	45,705	–	FY2018/19: – FY2019/20: 29,983 After FY2019/20: 15,723
	Total						1,207,936	340,872	FY2018/19: 299,657 FY2019/20: 495,718 After FY2019/20: 240,741

Notes:

- (1) We consider the construction works under separate contracts but offered by the same customer and in the same development as one project.
- (2) The expected commencement date or completion date of project is determined with reference to the actual work schedule or the relevant letter of award or contract which normally sets out the duration of works together with our Directors' estimation based on experience.
- (3) The contract sum refers to the fixed fee or the provisional fee as stated in relevant letter of award or the contract, and does not include any modifications due to variation orders. For further details regarding fixed fee contract and provisional fee contract, please refer to the paragraph headed "Customers – Key contract terms with our major customers;" in this section below.

BUSINESS

SALES AND MARKETING

During the Track Record Period, our business opportunities were generally awarded by way of invitation to tender.

Although we currently do not maintain a sales and marketing team to carry out other marketing activities such as mass media advertisement, our executive Directors seek to maintain good relationship with private sector participants in the construction industry in Hong Kong to seek business opportunities. Our Directors consider that our relationship with our customers, expertise and reputation in the industry and previous job experience are the key factors to secure future projects. Our executive Directors are generally responsible for maintaining our customers' relationship and keeping abreast of market developments and potential business opportunities. Hop Fat Yuk Ying has also joined the Hong Kong Formwork Contractors Association to keep track of the development of the Hong Kong construction industry, in particular, the formwork works industry, and obtain market and relevant industry information.

CUSTOMERS

During the Track Record Period, our customers are principally main contractors in the construction industry in Hong Kong and all of our service fees are denominated in Hong Kong dollars. We have maintained stable and long-term business relationship with our major customers, some of which are from construction group companies listed on the Main Board of the Stock Exchange. For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, the number of customers with revenue contribution to our Group was 6, 7, 16 and 13 respectively.

During the Track Record Period, we had certain customers including Customer A, Customer C and Customer D which at the same time were our suppliers under the contra-charge arrangement, under which situation such customers would purchase certain materials on our behalf. The cost of materials would be directly deducted from the interim payment issued to us. To the best knowledge of our Directors, the contra-charge arrangement is a general practice in the construction industry. For details, please refer to the paragraph headed "Customers – Contra-charge arrangement with our customers which are also our suppliers" in this section.

Major customers

For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, our Group's five largest customers by contracting party accounted for approximately 99.5%, 99.6%, 85.5% and 82.5% of our total revenue, respectively, with the largest customer by contracting party accounting for approximately 28.3%, 44.7%, 36.8% and 28.3% of our total revenue, respectively.

BUSINESS

The following table sets out the profile of our Group's five largest customers by contracting party during Track Record Period:

FY2015/16

Rank	Customer	Business with the customer commenced since	Typical credit terms and payment method	Revenue derived from the customer	
				HK\$'000	%
1	Customer A <i>(Notes 1 and 5)</i>	2008	60 days; by bank transfer or cheque	56,344	28.3
2	Customer Hip Hing <i>(Note 2)</i>	1998	60 days; by bank transfer	55,484	27.8
3	Customer C <i>(Notes 3, 4, 5 and 13)</i>	2015	30 days; by cheque	40,975	20.5
4	Customer D <i>(Notes 5, 6 and 13)</i>	2009	21-30 days; by cheque	34,434	17.3
5	Customer E <i>(Notes 7 and 13)</i>	2009	30 days; by cheque	11,279	5.7
	Five largest customers combined			198,516	99.5
	All other customers			907	0.5
	Total revenue			<u>199,423</u>	<u>100.0</u>

BUSINESS

FY2016/17

Rank	Customer	Business with the customer commenced since	Typical credit terms and payment method	Revenue derived from the customer <i>HK\$'000</i>	%
1	Customer C <i>(Notes 3, 4, 5 and 13)</i>	2015	30 days; by cheque	169,340	44.7
2	Customer A <i>(Notes 1 and 5)</i>	2008	60 days; by bank transfer or cheque	155,009	40.9
3	Customer Hip Hing <i>(Note 2)</i>	1998	60 days; by bank transfer	40,301	10.6
4	Customer E <i>(Notes 7 and 13)</i>	2009	30 days; by cheque	7,423	2.0
5	Customer D <i>(Notes 5, 6 and 13)</i>	2009	21-30 days; by cheque	5,001	1.3
	Five largest customers combined			377,074	99.6
	All other customers			1,553	0.4
	Total revenue			<u>378,627</u>	<u>100.0</u>

BUSINESS

FY2017/18

Rank	Customer	Business with the customer commenced since	Typical credit terms and payment method	Revenue derived from the customer <i>HK\$'000</i>	%
1	Customer Hip Hing <i>(Note 2)</i>	1998	60 days; by bank transfer	133,197	36.8
2	Customer Co-Make <i>(Notes 8 and 10)</i>	2017	60 days; by cheque	85,820	23.7
3	Customer G <i>(Notes 9, 10 and 13)</i>	2018	10 days; by cheque	42,272	11.7
4	Kowloon Development Engineering Limited <i>(Note 11)</i>	2017	30 days; by cheque	24,656	6.8
5	Customer A <i>(Notes 1 and 5)</i>	2008	60 days; by bank transfer or cheque	23,293	6.4
	Five largest customers combined			309,238	85.5
	All other customers			52,635	14.5
	Total revenue			<u>361,873</u>	<u>100.0</u>

BUSINESS

For the nine months ended 31 December 2018

Rank	Customer	Business with the customer commenced since	Typical credit terms and payment method	Revenue derived from the customer	
				HK\$'000	%
1	Customer D (Notes 5, 6 and 13)	2009	21-30 days; by cheque	85,025	28.3
2	Customer Hip Hing (Note 2)	1998	60 days; by bank transfer	58,496	19.5
3	Customer G (Notes 9, 10 and 13)	2018	10 days; by cheque	53,670	17.9
4	Kowloon Development Engineering Limited (Note 11)	2017	30 days; by cheque	26,589	8.9
5	Customer I (Notes 12 and 13)	2017	32 days; by bank transfer or cheque	23,655	7.9
	Five largest customers combined			247,435	82.5
	All other customers			52,631	17.5
	Total revenue			<u>300,066</u>	<u>100.0</u>

Notes:

- Customer A, being Bordon Construction Company Limited and Chun Yip Construction Company Limited, represents two private companies with limited liability in Hong Kong under common management in the same group with paid-up share capital of approximately HK\$227 million and HK\$221 million respectively. The principal business of Customer A includes residential, industrial, commercial and hotel construction and development.
- Customer Hip Hing represents subsidiaries of NWS Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 659), the principal activities of such subsidiaries include construction and civil engineering. According to public records, the total revenue of NWS Holdings Limited and its subsidiaries amounted to approximately HK\$35 billion for the year ended 30 June 2018.

BUSINESS

3. Customer C is a joint venture in Hong Kong set up by two companies listed on the Main Board of the Stock Exchange and the joint venture is principally engaged in design and construction of a hospital. According to public records, the listed group that holds 60% interest in Customer C recorded total revenue of approximately HK\$56 billion for the year ended 31 December 2018 and had more than 13,000 employees as at 31 December 2018, and the listed group that holds 40% interest in Customer C recorded total revenue of approximately HK\$6 billion for the year ended 31 December 2018 and had more than 1,000 employees in Hong Kong and Macau as at 31 December 2018.
4. Due to the tight schedule of the Hong Kong Children's Hospital project, on top of our workers and workers arranged by our subcontractors, Customer C has arranged some workers to perform part of our works in order facilitate the timely completion of the project by way of variation order.
5. Due to the contra-charge arrangement, Customer A, Customer C and Customer D are considered as our suppliers. For details of the contra-charge arrangement, please refer to the paragraph headed "Customers – Contra-charge arrangement with our customers which are also our suppliers" in this section. Customer D was one of our top suppliers for FY2015/16 as a result of the contra-charge arrangement with our Group.
6. Customer D represents two subsidiaries of a company listed on the Main Board of the Stock Exchange, the principal activities of the subsidiaries include building construction, civil and foundation engineering works. According to public records, the total revenue of the listed group amounted to approximately HK\$56 billion for the year ended 31 December 2018.
7. Customer E represents two subsidiaries of a company listed on the Main Board of the Stock Exchange, and such subsidiaries principally engaged in the property construction business. According to public records, the total revenue of the listed group amounted to approximately HK\$3 billion for the year ended 31 March 2018.
8. Customer Co-Make is a private company with limited liability in Hong Kong with a paid-up share capital of HK\$10,000 and was incorporated in 2012. Customer Co-make is principally engaged in construction business and is a contractor under the categories of general building contractors and a specialist contractor of foundation works category and site formation works category at the Buildings Department.
9. Customer G is a private company with limited liability in Hong Kong with a paid-up share capital of HK\$1 and was incorporated in 2010. Customer G is principally engaged in construction business and is also registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council.
10. During the Track Record Period and up to the Latest Practicable Date, we experienced an early termination of two contracts with Customer Co-Make for a project as a result of the early termination between Customer Co-Make and its customer. Customer G has subsequently taken over Customer Co-Make's role in the project, and continued to engage us in performing the formwork works for the project. Our Directors confirmed that the early termination of the contract is not due to any fault of our Group.
11. Kowloon Development Engineering Limited is a subsidiary of Kowloon Development Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 34), and is principally engaged in construction contracts. According to public records, the total revenue of Kowloon Development Company Limited and its subsidiaries amounted to approximately HK\$3 billion for the year ended 31 December 2018.
12. Customer I is a subsidiary of a company listed on the Main Board of the Stock Exchange, and is principally engaged in the construction business. According to public records, the total revenue of the listed group amounted to approximately HK\$8 billion for the year ended 31 March 2018.

BUSINESS

13. Our Directors have used their best endeavours to seek consents from all of our Group's five largest customers for the Track Record Period in respect of the disclosure of their identities. However, Customers C, D, E, G and I have refused to give consent. As advised by the Legal Counsel, (i) our Group has an obligation and/or an implied undertaking to such customers to protect information that is confidential between our Group and such customers, (ii) disclosure of identities of such customers in this prospectus will disclose information that might be considered as trade secrets by such customers, such as payment terms and revenue derived from our Group and (iii) our Group will be exposed to risk of breach of confidence and may be subject to claim(s) from such customers for such breach if the identities of such customers are disclosed in the absence of an express consent. Based on the Legal Counsel's advice and given that refusal letters have been issued by such customers, the identities of such customers are disclosed on an anonymous basis.

The five largest customers of our Group are Independent Third Parties to us. None of our Directors and their close associates, or any Shareholders who owned more than 5% of the number of Shares in issue as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Customer concentration

Our Directors consider it is common in the construction industry to exhibit customer concentration, especially when there is a single project with a relatively large contract sum, which would easily result in the relevant customer becoming our largest customer in terms of revenue contribution. According to the Ipsos Report, established relationship with main contractors is one of the key factors of competition in the formwork works industry, as main contractors tend to subcontract works to subcontractors which they have previously collaborated with, and which have proven high-quality work and on-time project completion records. Therefore, our Directors are of the view that it is common for subcontractors to exhibit customer concentration.

For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, the percentage of our total revenue attributable to our five largest customers combined amounted to 99.5%, 99.6%, 85.5% and 82.5% respectively. Our Directors are of the view that our business model is sustainable despite the customer concentration after taking into the following factors:

- (i) *Increasing market demand:* According to the Ipsos Report, the demand for formwork works in Hong Kong is supported by the Government's initiatives to increase the supply for residential building and commercial buildings. Our Group experienced a strong demand for our formwork services from a range of customers during the Track Record Period as evidenced by the increase in the number of tender invitations that we received from our customers. The number of tender invitations we received have increased from 23 for FY2015/16 to 48 for FY2017/18. Our Directors consider that we would be able to find other customers in the unlikely event that our business relationship with our five largest customers deteriorates.
- (ii) *Our reputation and track record:* According to the Ipsos Report, reputation and credibility are the key factors of competition in the formwork works industry. We have received awards recognising our good performance on safety from our customers and departments of the Government and statutory bodies including the

BUSINESS

Labour Department, Occupational Safety and Health Council and the Development Bureau. For details of our awards and recognitions, please refer to the paragraph headed “Major qualifications, certificates, awards and recognitions – Awards and recognitions” in this section. As our formwork works projects are non-recurring in nature, we enter into contracts with our customers on a project-by-project basis, and there is no general contractual term prohibiting us from developing business relationships with new customers. Our Directors consider that our established history and experience in the formwork works industry for over 20 years with a proven track record would enhance our reputation and assist us in securing projects from different customers.

- (iii) *Downward trend on reliance on our major customers:* The ranking and combination of our five largest customers for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 were different. Besides, we have demonstrated a downward trend on reliance on our major customers during FY2015/16, FY2016/17, FY2017/18 as we have taken steps to expand our customer base. Revenue contributed by our five largest customers for the respective year/period experienced a moderate decrease from approximately 99.5% for FY2015/16 to approximately 85.5% for FY2017/18 and approximately 82.5% for the nine months ended 31 December 2018. Furthermore, the number of our customers experienced an increase from six for FY2015/16 to 16 for FY2017/18. Accordingly, our Directors consider that we did not place undue reliance on any particular customer throughout the years for revenue recognition.

Contra-charge arrangement with our customers which are also our suppliers

A main contractor may pay on behalf of its subcontractor for certain expenses for a project, whereby such expenses would be deducted from its payments to that subcontractor in settling its contractual fees for the project. Such payment arrangement is referred to as the “**Contra Charge Arrangement**” and the amount involved is referred to as the “**Contra Charge Amount**”.

During the Track Record Period, our Group had Contra Charge Arrangement with Customer A, Customer C and Customer D, which our Directors confirmed were conducted on normal commercial terms. The Contra Charge Amount would generally relate to the payments for the purchase of construction materials. Pursuant to the Contra Charge Arrangement set out in the contracts with our customers, our customers might procure construction materials from the suppliers or make payments on our behalf, and we settle the amounts via the Contra Charge Arrangement. During the Track Record Period, we had no dispute with Customer A, Customer C and Customer D as regards to the Contra Charge Arrangement which would have had a material impact on our business, financial condition or results of operations.

For the nine months ended 31 December 2018, the revenue derived from Customer A amounted to approximately HK\$4.1 million, while our Contra Charge Amount incurred for Customer A amounted to approximately HK\$143,000, representing approximately 0.06% of

BUSINESS

our total costs of sales. The Contra Charge Amount incurred for Customer A related to the payment of the purchases of construction materials incurred for an A&A project in Deep Water Bay Drive.

For each of FY2015/16, FY2016/17 and FY2017/18, the revenue derived from Customer C amounted to approximately HK\$41.0 million, HK\$169.3 million and HK\$5.6 million, respectively, while our Contra Charge Amount incurred for Customer C amounted to approximately nil, HK\$335,000 and HK\$64,000, respectively, representing approximately nil, 0.1% and 0.02% of our total cost of sales. The Contra Charge Amount incurred for Customer C related to the payment for the purchases of construction materials for the Hong Kong Children's Hospital Project.

For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, the revenue derived from Customer D amounted to approximately HK\$34.4 million, HK\$5.0 million, HK\$3.4 million and HK\$85.0 million, respectively, while our Contra Charge Amount incurred for Customer D amounted to approximately HK\$12.4 million, HK\$886,000, HK\$75,000 and HK\$13,000, respectively, being the costs of construction materials incurred relating to the Tai Po Water Treatment Facilities project and a formwork project in Tuen Man representing approximately 7.2%, 0.3%, 0.02% and 0.005% of our total cost of sales.

As we settled such costs by way of Contra Charge Arrangement by netting off with the payments due from Customer A, Customer C and Customer D, both cash inflows from the project works done and cash outflows from the purchases were reduced by the same amount. Therefore, the Contra Charge Arrangement had no material effect on our Group's cash flow positions during the Track Record Period.

Key contract terms with our major customers

During the Track Record Period and up to the Latest Practicable Date, our customers engaged us on a project-by-project basis instead of entering into any long-term agreement. Our Directors consider that such arrangement is in line with the industry practice. Generally, contracts entered into between us and our customers for formwork works contain terms and conditions relating to the contract sum, the types and scope of work, the payment terms, variation orders, retention money, insurance and guarantees and bonds requirements. A summary of the key terms generally included in our contracts is set forth below:

Major contractual terms	Description
<i>Contract sum</i>	The contract sum of our contracts is either a fixed fee or a provisional fee subject to remeasurement. For the fixed fee contract, we undertake to carry out a defined scope of works in return for an agreed contract price. For the provisional fee contract subject to remeasurement, we are provided with a schedule showing the rates, types and provisional quantities of works to be performed by us and the final contract sum is subject to remeasurement upon completion of the work.

BUSINESS

Major contractual terms	Description
	<p>For both kinds of the contracts, the contract price may be adjusted due to any variation orders following the mechanism specified in the relevant contract.</p>
<i>Period for completion</i>	<p>We are required to strictly comply with expected commencement date and expected completion date stipulated in the contracts between our Group and our customers. However, the actual commencement date or final completion date may be amended from time to time, and we may be granted extension of time under certain circumstances, pursuant to the terms of the relevant contract.</p>
<i>Payment terms</i>	<p>For interim or progress payment, we are generally requested by our customers to provide a written statement of the details of completed works, the estimated fee of our work done along with any variation orders (if any) on a monthly basis. It normally takes less than 60 days to receive the certified amount after the issuance of payment certificate.</p>
<i>Variation orders</i>	<p>Variations by executing additional, modification or omission works may be ordered by our customer in the progress of construction work. The variation works carried out by us are usually valued in accordance with the principles that:</p> <ul style="list-style-type: none">(i) for the works of similar character to any item of work priced in the contract, the variation work should be valued at the rate set out in the rate of items; and(ii) for the work which is not similar in character to any item of work priced in the contract, the variation work should be valued with reference to the above rate of items or at a rate to be fixed by our customer based on the circumstances.
<i>Guarantees and bonds</i>	<p>We may be required by our customers to provide guarantees or bonds, in prescribed forms, to ensure our due performance of contracts. Our Directors confirmed that our Group has not provided any surety or performance bonds to our customers during the Track Record Period.</p>

BUSINESS

Major contractual terms	Description
<i>Liquidated damages</i>	<p>If we fail to complete the contract works within the date of completion as set out in the contract, we may, subject to the rights for time extension, be required to compensate our customers a sum of liquidated damages calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there have not been any material delay in our projects on the part of our Group, and accordingly our Group has not been required to pay any liquidated damages in relation to failing to complete the contract works on time.</p>
<i>Insurance</i>	<p>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 also refer to the paragraph headed “Insurance” in this section.</p>
<i>Defects liability period</i>	<p>Our customers would normally require defects liability period, usually six to 24 months after the issuance of certificate of completion of our contract works, during which we are responsible for rectifying works defects or imperfections arising from works subcontracted to us. If any defects are identified, we will respond to our customers in a timely manner. In the event that we are unable to rectify the defects on time, our customer may arrange resources to perform the rectification works. All the fees, expenses, along with an additional administrative fee in relation to the arrangement of the resources will be borne by us.</p>

BUSINESS

Major contractual terms	Description
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<i>Retention money</i>	
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	When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each progress payment as retention money. Such percentage is generally at a range from 5% to 10% of the value of work done subject to a maximum limit of up to 10% of the total contract sum. Part of the retention money withheld is normally released upon the execution of the final account or the issuance of the certificate of completion of our contract works while the remaining part of the retention money will be released upon expiry of defects liability period and the completion of all the rectification works to the full satisfaction of the employer of the construction project and the main contractor.
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<i>Termination</i>	
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	Generally, our customers are entitled to terminate the contract with us under certain circumstances, such as when we, without reasonable cause, fail to proceed the works with due diligence, or fail to remove defective materials or make good defective works after being instructed by our customers. Furthermore, in the event that the main contract between our customer and its customer/ultimate owner is terminated, the contract between our customer and us may also be terminated correspondingly.
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Pricing policy

Our pricing is determined on a cost-plus basis varying from project to project. In preparing the pricing of a tender, we place emphasis on certain factors including: (i) the estimated number and types of workers required; (ii) the methodology and complexity of the project; (iii) the availability of our manpower and resources; (iv) the completion time requested by customers; (v) any further subcontracting work expected to be necessary; (vi) the overall cost in undertaking the job; (vii) the past prices offered to the customers; (viii) the prevailing market conditions; (ix) the specifications stated in the tender document; and (x) the historical relationship with the customer and the prospect of obtaining future contracts from the customer. We will also consider potential difficulties and risk factors in estimating the total cost of projects. We prepare our tender submission based on cost estimates (which mainly include costs of suppliers and/or subcontractors) plus a mark-up with reference to historical fees we received from similar projects, expected competition from the market and the prevailing market rates.

BUSINESS

Credit policy

Based on the activity carried out in the preceding month, we submit to our customers a payment application for an interim payment which generally includes the estimated amount of our work done. Once our customer is satisfied with our interim payment application, our customer will issue an interim payment certificate to us and the interim payment will be settled with us by cheque or bank transfer with retention of a certain percentage of our fee as retention money. We will usually grant our customers a credit period up to 60 days from the date of the issuance of interim payment certificate. Our customers will usually retain a range from 5% to 10% of the value of work done subject to a maximum limit of up to 10% of the total contract sum as retention money. Part of the retention money withheld is normally released upon the execution of the final account or issuance of the certificate of completion of our contract works while the remaining part of the retention money will be released upon expiry of defects liability period and the completion of all the rectification works to the full satisfaction of the employer of the construction project and the main contractor. For details of our receivables turnover days, please refer to the paragraph headed “Financial Information – Discussion of selected statement of financial position items – Trade receivables – Trade receivables turnover days” in this prospectus.

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

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors of goods and services which were specific to our business and were required on a regular basis to enable us to continue to carry on our business principally included: (i) our subcontractors for carrying out site works; (ii) suppliers of construction materials and consumables such as timber, plywood, aluminium formwork, steel formwork and ironmongery; (iii) suppliers for rental of metal scaffold equipment and other equipment; and (iv) suppliers of other miscellaneous services such as transportation of construction materials. As we are provided with the standard requirements of the materials and we are liable for the quality of our project, except in the case that we are provided with materials by our customer, we, as a subcontractor, are able to choose our own suppliers and subcontractors for our projects. Our suppliers and subcontractors are generally located in Hong Kong and all of our purchases are denominated in Hong Kong dollars.

During the Track Record Period, in three projects in which we acted as a subcontractor, we were provided with materials (such as steel and concrete) by our customers pursuant to the Contra Charge Arrangement, details of which are set out in the paragraph headed “Customers – Contra-charge arrangements with our customers which are also our suppliers” above in this section.

We maintain an internal list of approved suppliers. We carefully evaluate suppliers and decide whether to include them in our list based on the information such as their background information, the quality of product, the prevailing market price, the delivery time and their reputation.

BUSINESS

As our customers engage us on a project-by-project basis, we do not enter into any long-term agreement with our suppliers. When materials are required during the project execution, a purchase order is generally prepared by us and sent to our suppliers. Our suppliers would then deliver such materials to the construction site as requested in the purchase order with an invoice provided to us. We usually settle the payment with our suppliers on a monthly basis and the total amount is subject to the orders we have placed with our suppliers and the invoices we have received from our suppliers during a certain month. We generally settle our payment by cheque. During the Track Record Period, our Directors confirmed that we did not experience any material shortage or delay in the supply of goods and services that we required. Our Directors consider that we are generally able to substantially pass on increase in purchase costs to our customers as we generally take into account our overall costs of undertaking a project when determining our tender price or quotation.

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

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontracting charges	127,799	77.3	279,229	82.9	255,670	86.4	198,369	79.3
Construction materials and consumables	31,499	19.0	44,552	13.2	32,059	11.2	45,633	18.2
Rental charges	4,238	2.6	10,322	3.1	5,397	1.8	4,458	1.8
Other miscellaneous items	1,838	1.1	2,752	0.8	1,873	0.6	1,679	0.7
Total	165,374	100.0	336,855	100.0	294,999	100.0	250,139	100.0

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

Construction materials

Major construction materials used by us include timber, plywood, aluminium formwork and steel formwork, which majority are sourced by our Group from the construction materials suppliers in Hong Kong. As part of complying with the environmental measures of our customers, we are required to source timber and plywood from companies complying with the requirements of an international recognised certification system such as PEFC and FSC. The PEFC and FSC certifications provide assurance that the timber and plywood originate from sustainably managed sources. For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, we incurred approximately HK\$31.5 million, HK\$44.6 million, HK\$32.1 million and HK\$45.6 million, respectively, in construction materials and consumables costs.

BUSINESS

Major suppliers

Costs incurred for our largest supplier (excluding our subcontractors) accounted for approximately 32.9%, 34.4%, 19.2% and 17.8% of our total purchase costs (excluding subcontracting charges), respectively, for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 and the costs incurred for our five largest suppliers (excluding our subcontractors) for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 accounted for approximately 76.8%, 74.8%, 69.4% and 69.5% of our total purchase costs (excluding subcontracting charges), respectively.

The following table sets out the profile of our five largest suppliers (excluding our subcontractors) for the Track Record Period:

FY2015/16

Rank	Name of supplier	Background of supplier	Type of purchases	Business with the supplier commenced since	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Customer D <i>(Note)</i>	Subsidiaries of a company listed on the Main Board of the Stock Exchange, the principal activities of the subsidiaries include building construction and civil engineering operations	Concrete and reinforcement bar	2009	Contra charge arrangement	12,364	32.9
2	Supplier A	A private company in Hong Kong engaging in supply of timber and plywood	Timber and plywood	2013	30 days; by cheque	8,970	23.9
3	Hop Chung Scaffolding Company Limited	A private company in Hong Kong engaging in supply of metal scaffold equipment	Metal scaffold equipment	2009	30 days; by cheque	3,437	9.1
4	Supplier C	A sole proprietor in Hong Kong engaging in supply of ironmongery	Ironmongery	2011	30 days; by cheque	2,207	5.9
5	Supplier D	A sole proprietor in Hong Kong engaging in supply of ironmongery	Ironmongery	2009	30 days; by cheque	1,870	5.0
Five largest suppliers (excluding subcontractors) combined						28,848	76.8
All other suppliers (excluding subcontractors)						8,726	23.2
Total						<u>37,574</u>	<u>100.0</u>

Note: Due to the contra-charge arrangement, Customer D is considered as one of our suppliers. For details of the contra-charge arrangement, please refer to the paragraph headed “Customers – Contra-charge arrangement with our customers which are also our suppliers” in this section.

BUSINESS

FY2016/17

Rank	Name of supplier	Background of supplier	Type of purchases	Business with the supplier commenced since	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Wing On Development (Hong Kong) Company Limited	A private company in Hong Kong engaging in supply of timber and plywood	Timber and plywood	2013	30 days; by cheque	19,823	34.4
2	Hop Chung Scaffolding Company Limited	A private company in Hong Kong engaging in supply of metal scaffold equipment	Metal scaffold equipment	2009	30 days; by cheque	7,578	13.2
3	Supplier A	A private company in Hong Kong engaging in supply of timber and plywood	Timber and plywood	2013	30 days; by cheque	6,073	10.5
4	Supplier F	A private company in Hong Kong engaging in supply of aluminium and steel	Aluminium and steel formwork	2016	30 days; by cheque	5,444	9.4
5	Supplier C	A sole proprietor in Hong Kong engaging in supply of ironmongery	Ironmongery	2011	30 days; by cheque	4,194	7.3
Five largest suppliers (excluding subcontractors) combined						43,112	74.8
All other suppliers (excluding subcontractors)						14,514	25.2
Total						<u>57,626</u>	<u>100.0</u>

BUSINESS

FY2017/18

Rank	Name of supplier	Background of supplier	Type of purchases	Business with the supplier commenced since	Typical credit terms and payment method	Purchases by us from the supplier	
						HK\$'000	%
1	Wing On Development (Hong Kong) Company Limited	A private company in Hong Kong engaging in supply of timber and plywood	Timber and plywood	2013	30 days; by cheque	7,561	19.2
2	Haina International Aluminium Innovation Limited	A private company in Hong Kong engaging in supply of aluminium	Aluminium formwork	2017	30 days; by cheque	6,925	17.6
3	Chong Yue Construction Material Limited	A private company in Hong Kong engaging in supply of aluminium	Aluminium formwork	2017	30 days; by cheque	4,826	12.3
4	Hop Chung Scaffolding Company Limited	A private company in Hong Kong engaging in supply of metal scaffold equipment	Metal scaffold equipment	2009	30 days; by cheque	4,801	12.2
5	Supplier A	A private company in Hong Kong engaging in supply of timber and plywood	Timber and plywood	2013	30 days; by cheque	3,182	8.1
Five largest suppliers (excluding subcontractors) combined						27,295	69.4
All other suppliers (excluding subcontractors)						12,034	30.6
Total						<u>39,329</u>	<u>100.0</u>

BUSINESS

For the nine months ended 31 December 2018

Rank	Name of supplier	Background of Supplier	Type of purchases	Business with the supplier commenced since	Typical credit terms and payment method	Purchases by us from the Supplier	
						HK\$'000	%
1	Chong Yue Construction Material Limited	A private company in Hong Kong engaging in supply of aluminium	Aluminium formwork	2017	30 days; by cheque	9,228	17.8
2	Haina International Aluminium Innovation Limited	A private company in Hong Kong engaging in supply of aluminium	Aluminium formwork	2017	30 days; by cheque	9,159	17.7
3	Wing On Development (Hong Kong) Company Limited	A private company in Hong Kong engaging in supply of timber and plywood	Timber and plywood	2013	30 days; by cheque	7,576	14.7
4	Supplier I	A private company in Hong Kong engaging in supply of steel and aluminium	Steel and aluminium formwork	2018	30 days; by cheque	5,236	10.1
5	廣州市景龍環保科技有限公司	A company established in the People's Republic of China engaging in, amongst other, supply of aluminium	Aluminium formwork	2018	30 days; by cheque	4,788	9.2
Five largest suppliers (excluding subcontractors) combined						35,987	69.5
All other suppliers (excluding subcontractors)						15,783	30.5
Total						51,770	100.0

The five largest suppliers of our Group are Independent Third Parties to us. None of our Directors and close associates, or any Shareholders who owned more than 5% of the number of Shares in issue as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Inventory

Our Group does not hold any inventory to be used for future projects. The construction materials and consumables of our formwork works, such as timber, plywood, aluminium formwork, steel formwork and ironmongery, are purchased and used on a project-by-project basis.

BUSINESS

Subcontracting

The on-site construction works are carried out by the workers arranged by our subcontractors and we mainly focus on the supervision of works carried out by our subcontractors and the overall planning and management of work schedules and arrangements in relation to the workers, materials, equipment and other resources required at work sites. For FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, the percentage of our Group's subcontracting charges incurred to our Group's largest subcontractor amounted to approximately 21.9%, 37.9%, 22.0% and 24.0%, respectively, while the percentage attributable to our Group's five largest subcontractors amounted to approximately 66.6%, 77.8%, 51.8% and 64.4%, respectively.

Key contract terms with our major subcontractors

As our customers engage us on a project-by-project basis, we do not enter into any long-term contract with our subcontractors. Set out below is a summary of the key terms of our subcontracting agreements:

- (i) the contract price, which is usually based on remeasurement, whereby the total amount of the project would be calculated based on the actual work done or number of work hours with the agreed rate;
- (ii) the scope of work, which mainly includes formwork erection and striking;
- (iii) the location of the work site at which the works are to be performed;
- (iv) the payment details, which includes the payment method and credit term;
- (v) retention money, which will be released to the subcontractor after rectifying defects; and
- (vi) other miscellaneous job arrangement details including arrangement of labour, provision of tools and requirements on safety.

Reasons for subcontracting arrangement

Our Directors believe that our practice to subcontract on-site construction works, is in line with the usual practices of the construction industry in Hong Kong. Our Directors consider that such subcontracting arrangement is in the interest of our Group because it allows us to: (i) select from a pool of subcontractors and third-party professionals with different skill sets that suit the requirements of different projects without the need to retain all of them as our employees; (ii) focus on the project management and supervision functions; and (iii) deploy our resources in a more cost-effective manner and without the need to maintain a large pool of full-time staff.

BUSINESS

Criteria for selecting subcontractors

We maintain an internal list of approved subcontractors. We carefully evaluate subcontractors and decide whether to include them in our list based on a range of factors such as their reputation, their quality of works, the subcontracting charges, timeliness of works delivered, their safety records and past job references. When subcontractors are needed for a particular task, we select subcontractors from our list based on their experience relevant to the particular task as well as their availability and fee quotations.

Our subcontractors include individuals, sole proprietors as well as incorporated companies which generally have the available skills and/or manpower to perform the subcontracting works. According to the Ipsos Report, it is a common practice to engage individuals, sole proprietors and limited liabilities companies as subcontractors in the formwork works industry in Hong Kong. Our five largest subcontractors during the Track Record Period who are individuals or sole proprietors have 15 to 40 years of experience in carrying out formwork and/or other construction works, hold valid qualifications for conducting such works and are responsible for arranging workers in their teams to carry out the subcontracting works. While such individuals and sole proprietors did not incorporate a company in Hong Kong to carry out the subcontracting works, our Directors consider that these subcontracting arrangements are in substance the same as those with subcontractors which are incorporated companies for the following reasons: (i) such individuals and sole proprietors have access to pool of workers with different skills and experience, (ii) such individuals and sole proprietors have necessary experience and skills to lead workers in their team to carry out the subcontracting works, (iii) the contract terms, work flow, payment terms and payment method with such individuals and sole proprietors are similar to those with incorporated companies and (iv) in case the subcontractor fails to complete the agreed subcontracting works, it would be easier to take legal actions against such individuals and sole proprietors than the incorporated companies.

Payment to our subcontractors

We pay our subcontractors on a monthly basis, based on our subcontractors' payment applications and our certification procedures, after deducting the retention money of a maximum limit of 5% (if applicable) and the wages our Group paid on behalf of our subcontractors to their workers directly. We normally certify the payment application and issue the payment by bank transfer or by cheque within 30 days upon receiving the payment applications from our subcontractors.

Control over our subcontractors

We require our subcontractors to strictly follow the measures set out by the main contractors and the Labour Department in relation to quality control, safety and environmental compliance and our site supervisors will attend the work sites to supervise the works performed by our subcontractors. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Health and safety" and "Environmental matters" in this section respectively.

BUSINESS

In addition, depending on our agreements with our subcontractors, we may withhold a maximum limit of 5% of each of the progress payment due to our subcontractors as retention money, such that if the subcontractors fail to deliver the works or rectify any defects in a timely manner, any expenses or losses incurred by us may be charged against the retention money held up from our subcontractors.

The following information sets out the profile of our five largest subcontractors for the Track Record Period:

FY2015/16

Rank	Name of subcontractor	Background of subcontractor	Principal services provided	Business with the subcontractor commenced since	Typical credit terms and payment method	Purchases by us from the subcontractor	
						HK\$'000	%
1	Wah Hung Construction Engineering Co., Limited	A private company in Hong Kong	Traditional formwork	2009	30 days; by cheque or bank transfer	27,945	21.9
2	田耀建築工程公司 (Notes 1 and 2)	A sole proprietor in Hong Kong	Traditional formwork	2011	15-30 days; by cheque or bank transfer	20,952	16.4
3	Subcontractor C	A private company in Hong Kong	Traditional formwork	2008	30 days; by cheque or bank transfer	16,110	12.6
4	Subcontractor D	A private company and a sole proprietor in Hong Kong under the same management	General labour	2014	30 days; by cheque or bank transfer	13,845	10.8
5	Mr. Wong Wai Tok (Notes 1 and 3)	An individual	Traditional formwork	2011	30 days; by cheque or bank transfer	6,279	4.9
Five largest subcontractors combined						85,131	66.6
All other subcontractors						42,668	33.4
						<u>127,799</u>	<u>100.0</u>

BUSINESS

FY2016/17

Rank	Name of subcontractor	Background of subcontractor	Principal services provided	Business with the subcontractor commenced since	Typical credit terms and payment method	Purchases by us from the subcontractor	
						HK\$'000	%
1	田耀建築工程公司 (Notes 1 and 2)	A sole proprietor in Hong Kong	Traditional formwork	2011	15-30 days; by cheque or bank transfer	105,967	37.9
2	Mr. Wong Wai Tok (Notes 1 and 3)	An individual	Traditional formwork	2011	30 days; by cheque or bank transfer	47,983	17.2
3	Tsun Yik Construction Co. (Notes 1 and 4)	A sole proprietor in Hong Kong	Metal scaffolding	2012	30 days; by cheque or bank transfer	21,733	7.8
4	Wah Hung Construction Engineering Co., Limited	A private company in Hong Kong	Traditional formwork	2009	30 days; by cheque or bank transfer	21,522	7.7
5	Smart Construction Engineering Company (Notes 1 and 5)	A sole proprietor in Hong Kong	Traditional formwork	2015	30 days; by cheque or bank transfer	19,939	7.1
Five largest subcontractors combined						217,144	77.8
All other subcontractors						62,085	22.2
						<u>279,229</u>	<u>100.0</u>

BUSINESS

FY2017/18

Rank	Name of subcontractor	Background of subcontractor	Principal services provided	Business with the subcontractor commenced since	Typical credit terms and payment method <i>HK\$'000</i>	Purchases by us from the subcontractor %	
1	Wah Hung Construction Engineering Co., Limited	A private company in Hong Kong	Traditional formwork	2009	30 days; by cheque or bank transfer	56,240	22.0
2	Long Shing Engineering Limited and 世豐工程公司	A private company and a sole proprietor in Hong Kong under the same management	System formwork	2012	30 days; by cheque	29,533	11.6
3	Mr. Lam Chi Ping (<i>Notes 1 and 6</i>)	An individual	Traditional formwork	2016	30 days; by cheque or bank transfer	19,186	7.5
4	Achieve Prosperity Engineering Company Limited	A private company in Hong Kong	System formwork	2017	15 days; by cheque	14,945	5.8
5	Mr. Gurung Topendra (<i>Notes 1 and 7</i>)	An individual	System formwork	2017	15 days; by cheque	12,620	4.9
	Five largest subcontractors combined					132,524	51.8
	All other subcontractors					123,146	48.2
						255,670	100.0

BUSINESS

For the nine months ended 31 December 2018

Rank	Name of subcontractor	Background of subcontractor	Principal services provided	Business with the subcontractor commenced since	Typical credit terms and payment method	Purchases by us from the subcontractor	
						HK\$'000	%
1	Long Shing Engineering Limited and 世豐工程公司	A private company and a sole proprietor in Hong Kong under the same management	System formwork	2012	30 days; by cheque	47,538	24.0
2	Wah Hung Construction Engineering Co., Limited	A private company in Hong Kong	Traditional formwork	2009	30 days; by cheque or bank transfer	40,933	20.7
3	Wai Sing Construction Company (Notes 1 and 8)	A sole proprietor in Hong Kong	Traditional formwork	2017	30 days; by cheque or bank transfer	20,069	10.1
4	Mr. Hui Chun Lan (Notes 1 and 9)	An individual	Traditional formwork	2011	30 days, by cheque or bank transfer	11,364	5.7
5	Mr. Wong Lap Hing (Notes 1 and 10)	An individual	Traditional formwork	2017	30 days; by cheque or bank transfer	7,801	3.9
Five largest subcontractors combined						127,705	64.4
All other subcontractors						70,664	35.6
						198,369	100.0

Notes:

- Our Directors confirm that our Group's five largest subcontractors which are individuals or sole proprietors do not have any past or present relationship, including but not limited to employment, trust, financing or family relationship, with our Company or any of its subsidiaries, Directors, Shareholders or senior management, or any of their respective associates.
- All references made to 田耀建築工程公司 include references to its owner as an individual. 田耀建築工程公司 has the capacity to arrange over 360 workers in a given month to carry out formwork erection and striking works. Our Group has engaged 田耀建築工程公司 for a residential development project for FY2015/16 and a hospital project for FY2015/16 and FY2016/17. The owner of 田耀建築工程公司 has 40 years of experience in the formwork works industry and is registered as a carpenter in formwork under the CIC. Other than our Group, 田耀建築工程公司 has also performed subcontracting works for other main contractors and subcontractors.
- Mr. Wong Wai Tok has the capacity to arrange over 100 workers in a given month to carry out formwork erection and striking works. Our Group has engaged Mr. Wong Wai Tok mainly for a residential development project for each of FY2015/16 and FY2016/17. Mr. Wong Wai Tok has 40

BUSINESS

years of experience in the formwork works industry and is registered as a carpenter in formwork under the CIC. Other than our Group, Mr. Wong Wai Tok has also performed subcontracting works for other main contractors and subcontractors.

4. All references made to Tsun Yik Construction Co. include references to its owner as an individual. Tsun Yik Construction Co. has the capacity to arrange over 110 workers in a given month to carry out metal scaffold erection works. Our Group has engaged Tsun Yik Construction Co. for two water treatment facilities projects, a hospital project, a residential development project and a commercial development project for FY2016/17. The owner of Tsun Yik Construction Co. has over 15 years of experience in the construction industry and is registered as a carpenter in formwork, a metal scaffolder, a rigger and metal formwork erector under the CIC. Other than our Group, Tsun Yik Construction Co. has also performed subcontracting works for other subcontractors but not main contractors.
5. All references made to Smart Construction Engineering Company include references to its owner as an individual. Smart Construction Engineering Company has the capacity to arrange over 130 workers in a given month to carry out formwork erection and striking works. Our Group has engaged Smart Construction Engineering Company for two residential development projects and a water treatment facilities project for FY2016/17. The owner of Smart Construction Engineering Company has 20 years of experience in the construction industry and is registered as a carpenter in formwork under the CIC. Other than our Group, Smart Construction Engineering Company has also performed subcontracting works for other subcontractors but not main contractors.
6. Mr. Lam Chi Ping has the capacity to arrange over 45 workers in a given month to carry out traditional formwork. Our Group has engaged Mr. Lam Chi Ping for a commercial development project for FY2017/18. Mr. Lam Chi Ping has over 35 years of experience in the formwork works industry and is registered as a carpenter in formwork under the CIC. Other than our Group, Mr. Lam Chi Ping has also performed subcontracting works for other main contractors and subcontractors.
7. Mr. Gurung Topendra has the capacity to arrange over 30 workers in a given month to carry out system formwork erection and striking works. For FY2017/18, our Group has engaged Mr. Gurung Topendra for two residential development projects within the same development for Customer Co-Make and subsequently for Customer G. Please refer to the paragraph headed “Customers – Major customers” for further details. Mr. Gurung Topendra has 15 years of experience in the construction industry and is registered as a metal scaffolder under the CIC. Mr. Gurung Topendra has not performed subcontracting works for other main contractors or subcontractors.
8. All references made to Wai Sing Construction Company include references to its owner as an individual. Wai Sing Construction Company has the capacity to arrange over 100 workers in a given month to carry out formwork erection and striking works. Our Group has engaged Wai Sing Construction Company for a commercial development project, a redevelopment project and a sports centre project for the nine months ended 31 December 2018. The owner of Wai Sing Construction Engineering Company has 30 years of experience in the construction industry and is registered as a carpenter in formwork under the CIC. Wai Sing Construction Company has not performed subcontracting works for other main contractors or subcontractors.
9. Mr. Hui Chun Lan has the capacity to arrange over 50 workers in a given month to carry out formwork erection and striking works. Our Group has engaged Mr. Hui Chun Lan for a redevelopment project and a residential development project for the nine months ended 31 December 2018. Mr. Hui Chun Lan has 30 years of experience in the construction industry and is registered as a carpenter in formwork under the CIC. Mr. Hui Chun Lan has not performed subcontracting works for other main contractors or subcontractors.
10. Mr. Wong Lap Hing has the capacity to arrange over 40 workers in a given month to carry out formwork erection and striking works. Our Group has engaged Mr. Wong Lap Hing mainly for a residential development project for the nine months ended 31 December 2018. Mr. Wong Lap Hing has over 40 years of experience in the formwork works industry and is registered as a carpenter in formwork under the CIC. Other than our Group, Mr. Wong Lap Hing has also performed subcontracting works for other main contractors and subcontractors.

BUSINESS

The five largest subcontractors of our Group are Independent Third Parties to us. Our Directors confirmed that none of them and their close associates, or any Shareholders who owned more than 5% of the number of Shares in issue as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group during the Track Record Period.

MACHINERY AND OTHER EQUIPMENT

As at the Latest Practicable Date, our Group owned three forklifts, which are used in lifting and moving construction materials. Two of our forklifts are regulated by the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation controlling the emissions of non-road vehicles and regulated machines. As at the Latest Practicable Date, two of our forklifts have been approved with a proper label in a prescribed format by the Environmental Protection Department. Please refer to the paragraph headed “Regulatory Overview – Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” for further details. One of our forklifts is powered by electricity. As advised by the Legal Counsel, the forklift powered by electricity is not regulated by the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, hence no approval from the Environmental Protection Department is required.

In addition to forklifts, we acquired metal scaffold equipment during the Track Record Period. As at the Latest Practicable Date, our metal scaffold equipment at cost amounted to approximately HK\$9.9 million. Such metal scaffold equipment has an estimated useful life of approximately eight years. All our metal scaffold equipment has been acquired for less than one year.

Other than the machinery and equipment owned by our Group, we may rely on our subcontractors to provide machinery such as electric saws and cutting equipment to perform our formwork works projects and other construction projects. The fees for arranging the machinery and equipment by our subcontractors are generally included in the subcontracting charges.

SEASONALITY

To the best of our Directors’ knowledge, the formwork works industry and other construction works industry do not exhibit any significant seasonality. Instead, the industry environment may be affected by the policies implemented by the Government, property prices and macro-economy in Hong Kong.

QUALITY CONTROL

In order to maintain consistent quality services to our customers, we have implemented a quality management system which is in accordance with ISO 9001:2015 international standards. The quality management system of Hop Fat Yuk Ying was certified to be in accordance with the requirements of ISO 9001:2015 standard in November 2017. Our quality control procedures include, amongst other things, specific work procedures for performing site works as well as management process, selection of suppliers and subcontractors, procurement of construction materials and other operation procedures in order to ensure our work quality. Our employees as well as our subcontractors are required to follow such procedures.

BUSINESS

Quality control on our services

We will be liable for the works carried out by our Group and our subcontractors. We ensure that projects are completed in accordance with the specifications set out in the contracts with our customers.

Our project manager will closely monitor the progress of the projects on a continuous basis, and will closely supervise the quality of works through regular site visits. In respect of the quality control of our subcontractors' performance, our site supervisor is responsible for supervising the workers to carry out the works in accordance with the designs and the construction programme. Our site supervisor will directly report to the project manager on the project status and any issues in relation to the project.

Quality control on materials

We generally purchase materials from our suppliers which have established business relationships with us and demonstrated consistency in the quality of the construction materials. When the construction materials procured by us are delivered to the construction site, our site supervisor will check the quantity and quality of the construction materials. If there is any quality issue, our site supervisor may request replacement of the materials.

MAJOR QUALIFICATIONS, CERTIFICATIONS, AWARDS AND RECOGNITIONS

As advised by the Legal Counsel, except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there are no licenses, permits or approvals required to be obtained for our business as a subcontractor of the relevant construction projects. During the Track Record Period and up to the Latest Practicable Date, we maintained valid business registration.

While it is a requirement for subcontractors performing public sector projects to be registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council, based on our Directors' experience, some of our customers of private sector projects also prefer to engage or would only engage subcontractors which are registered under the scheme. In view

BUSINESS

of this, Hop Fat Yuk Ying has first completed such registration in 2004. The following table summarises the details of such registration held by Hop Fat Yuk Ying as at the Latest Practicable Date:

Company	Type of registration	Registered specialist trade contractor designated trade/ registered subcontractor trade code	Registered subcontractors trade specialty	Date of first registration	Date of upcoming expiry date
Hop Fat Yuk Ying	Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme)	<ul style="list-style-type: none"> ● Concreting formwork ● Reinforcement bar fixing ● Concreting ● Erection of concrete precast component ● Scaffolding ● Other structural and civil trades ● Metal work ● Other finishing trades and components 	<ul style="list-style-type: none"> ● Surveying and setting out ● Metal work ● Ironmongery ● False ceiling 	19 May 2004	18 May 2023

The Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) was introduced by the Construction Industry Council in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. The registration and the renewal of registration under the scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. For further details of the scheme, please refer to the paragraph headed "Regulatory Overview – C. Contractor licensing regime and operation – The Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme)" in this prospectus. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration for the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme). Our Directors confirmed that our Group had not experienced any material difficulties in obtaining and/or renewing the aforesaid registrations and they were not aware of any circumstances that would significantly hinder or delay the renewal of the registrations. Based on the advice of the Legal Counsel, our Directors confirmed that they do not foresee any material legal impediment in the renewal of the aforesaid registration by us.

BUSINESS

Certifications

We held the following certifications in respect of management or quality control system as at the Latest Practicable Date:

Nature	Certification	Expiry date
Quality management system	ISO 9001:2015	6 November 2020
Environmental management system	ISO 14001:2015	6 November 2020
Occupational health and safety management system	OHSAS 18001:2007	6 November 2020

Awards and recognitions

The following table sets out the awards and recognitions awarded to us:

Year of award	Nature	Recipient	Award	Awarding organisation or authority
2016	Safety	Hop Fat Yuk Ying	Construction Industry Safety Award Scheme – Civil Engineering Sites – Subcontractors (Silver Prize)	16 organisers including the Labour Department, Occupational Safety and Health Council and the Development Bureau
2012	Safety	Hop Fat Yuk Ying	Subcontractor with the Best Performance in Safety (Golden Prize) ^(Note) (最佳安全文化分判商金獎)	Occupational Safety and Health Council
2011	Internal Control	Hop Fat Yuk Ying	Quality Public Housing Construction and Maintenance Awards 2011 – New Works Projects – Outstanding Contractors – Wage Monitoring System	Co-organised by Housing Authority and industry associations
2009	Safety	Hop Fat Yuk Ying	Safety Model Subcontractor	Customer D

Note: The English award name is for reference only.

ENVIRONMENTAL MATTERS

Our business is subject to certain laws and regulations in Hong Kong in relation to environmental protection. Please refer to the section headed “Regulatory Overview” in this prospectus for further information about such laws and regulations. We also abide by the environmental terms as required by our customers stated in the contract. Our Directors believe that it is essential for us to act as an environmentally responsible contractor to meet the customers’ demands in environmental protection and the expectation of the community for a healthy living environment.

BUSINESS

We are committed to minimising any adverse impact on the environment resulting from our business activities to fulfil our responsibilities to both the community and environment. In order to comply with the applicable environmental protection laws, we have established an environmental management system in accordance with ISO 14001:2015 international standards. In November 2017, the environmental management system of Hop Fat Yuk Ying was certified to be in accordance with the requirements of ISO 14001:2015 standard. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors.

Please also refer to the paragraph headed “Machinery and other equipment” above in this section for further details on our compliance with the relevant regulations on the emissions of machinery.

During the Track Record Period, we did not incur any extra expenses on compliance with applicable environmental laws and regulations.

HEALTH AND SAFETY

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety systems and measures. Due to the nature of works in construction sites, risks of accidents or injuries to workers are inherent. As such, we have established a safety management system which follows OHSAS 18001:2007 standards in order to provide our workers and workers arranged by our subcontractors with a safe and healthy working environment. The occupational health and safety management system of Hop Fat Yuk Ying has been certified to be in accordance with the requirements of OHSAS 18001:2007 standard in November 2017.

Our safety measures include the following:

- Effective promotion and communication of safety procedures are maintained through, among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external meetings, and documenting safety measures and issues identified for each project by preparing inspection reports and training record;
- Risk assessments are generally conducted to identify the potential hazards and accident and provide suggestion on proper preventive measures prior to commencement of works;
- Site inspections are carried out by our safety officer regularly to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations;
- Setting up a drill programme with the execution of emergency drill from time to time to maintain workers’ safety awareness; and

BUSINESS

- Safety committee has been formed and is chaired by Mr. CM Ip, our executive Director. The safety committee is responsible for monitoring the effectiveness of safety policies, reviewing and assessing safety policies, accident rates and any non-compliance with applicable laws and regulations as well as providing recommendations.

Mr. Lui Kai Chung, our full-time registered safety officer registered under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations, is responsible for monitoring and implementing our work safety measures. Mr. Lui conducts regular internal safety inspections and is also responsible for setting up regular safety training for our employees and workers arranged by our subcontractors to ensure their competency to perform specific assigned tasks and ensuring that a proper training record is kept. We have also engaged an external safety auditor to carry out safety audits.

To further enhance awareness of our workers and workers arranged by our subcontractors in work safety and minimise the relevant safety risk in the execution of our projects, we have engaged the Safety Consultant, an independent safety consultant whose engagement team includes a chartered member of the Institution of Occupational Safety and Health, to advise us on the general safety policy of our Group in August 2018, which has been conducting inspections on the operation of our Group since its engagement. Our Directors confirmed that no material deficiency in relation to workplace safety has been identified by the Safety Consultant and our safety management system had continuously fulfilled the relevant safety regulations in all material aspects.

Our safety committee has been established in August 2018 to oversee the implementation of our safety management system, promote the health and safety awareness of our employees, review safety reports and make recommendations concerning our workplace safety measures. Our safety committee will also review previous accidents as well as warnings and prosecutions from government departments. Members of the safety committee hold regular meetings with the Safety Consultant and attend ongoing safety training sessions provided by the Safety Consultant to ensure that they are up to date with the safety requirements and policies relevant to our operations.

The composition of the safety committee is as follows:

Name	Qualifications and experiences
<i>Chairman</i> Mr. CM Ip	Please refer to the section headed “Directors and Senior Management” in this prospectus for details.

BUSINESS

Name	Qualifications and experiences
<i>Secretary</i>	
Mr. LUI Kai Chung	Mr. Lui is our safety officer and is responsible for dealing with safety issues of our Group. Mr. Lui is currently registered with the Labour Department as a safety officer and has worked as safety officer of various construction companies for over eight years. Mr. Lui obtained a Bachelor of Science (Honours) in Occupational Safety and Health from Middlesex University in the United Kingdom in June 2010.
<i>Members</i>	
Mr. LAU Woon Wing	Please refer to the section headed “Directors and Senior Management” in this prospectus for details.
Mr. WONG Kin Wah	Please refer to the section headed “Directors and Senior Management” in this prospectus for details.
Ms. CHOW Hoi Fei	Please refer to the section headed “Directors and Senior Management” in this prospectus for details.
Ms. CHAN So Yu	Please refer to the section headed “Directors and Senior Management” in this prospectus for details.

For details of the accomplishments we have achieved relating to health and safety matters, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – Business development and milestones” in this prospectus and the paragraph headed “Major qualifications, certifications, awards and recognitions – Awards and recognitions” in this section.

Accidents during the Track Record Period

Although our Group has been implementing a safety policy to mitigate the risks of accidents or injuries to workers, the occurrence of accidents to workers at construction sites cannot be completely eliminated. Such risks are inherent due to the potentially hazardous environment and nature of works in the construction industry. Further, some workers may not follow the health and safety policy/system implemented by our Group. Therefore we may be subject to claims from our workers and workers arranged by our subcontractors for work related injuries from time to time in our ordinary course of business.

As a subcontractor, we require our workers and workers arranged by our subcontractors to report the accident to us and we will report the same to the main contractors and the Labour Department. If an accident occurs, the injured worker is required to report to our safety officer or our site supervisor immediately. The site supervisor will provide assistance to the injured worker and our safety officer will conduct preliminary investigation and record information in respect of the date, time, location and causes of the accident and nature of injuries caused. Our safety officer will also follow up with the notification of the

BUSINESS

accident to the Labour Department within the statutory requisite time. Thereafter, we will give conclusion for the accident, prepare an accident report in our designated form and provide recommendations to improve our safety management system for the purpose of avoiding the recurrence of similar accident. Recommendations will be taken by our project team and our safety committee will carry out follow-up inspection to ensure that recommendation works are implemented.

During the Track Record Period and up to the Latest Practicable Date, we recorded 27 accidents which gave rise to or may give rise to potential employees' compensation claims and personal injury claims, involving two, 12, five and eight workers who were employed by our Group and/or our subcontractors for each of FY2015/16, FY2016/17, FY2017/18 and the period from 1 April 2018 to the Latest Practicable Date, respectively.

Nature of the accidents

The table below sets out the nature of accidents in relation to the aforesaid 27 accidents:

Nature of accidents	Number of accidents
Fell from height	6
Slipped, tripped, or fell on same level	6
Struck by/against moving or falling objects	5
Injured whilst lifting or carrying	3
Struck against fixed or stationary objects	2
Bacterial infection	1
Injured whilst using a portable power tool	1
Trapped in or between objects	1
Contact with moving machinery	1
Injured whilst handling timber	1
	<hr/>
Total	<u><u>27</u></u>

For the purported injuries of the aforementioned accidents which were subject to outstanding litigations and potential claims relating to employees' compensation claims under Employees' Compensation Ordinance or personal injury claims under common law, please refer to the paragraph headed "Litigation and potential claims" in this section.

During the Track Record Period and up to the Latest Practicable Date, the relevant main contractors had taken out insurance to cover the liabilities in respect of the workers on sites under the Employees' Compensation Ordinance as well as under the common law for injuries at work. As such, our Directors consider that these incidents did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" below in this section.

BUSINESS

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

	Construction industry average rate <small>(Note 1)</small>	Our Group's rate <small>(Note 2)</small>
From 1 January to 31 December 2015		
Accident rate per 1,000 workers	39.1	16.3
Fatality rate per 1,000 workers	0.200	0
From 1 January to 31 December 2016		
Accident rate per 1,000 workers	34.5	29.8
Fatality rate per 1,000 workers	0.093	0
From 1 January to 31 December 2017		
Accident rate per 1,000 workers	32.9	16.6
Fatality rate per 1,000 workers	0.185	0
From 1 January to 31 December 2018		
Accident rate per 1,000 workers	N/A ^(Note 3)	19.2
Fatality rate per 1,000 workers	N/A ^(Note 3)	0

Notes:

1. The industry average rate for the years ended 31 December 2015, 2016 and 2017 respectively is extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 18 (August 2018) published by the Occupational Safety and Health branch of the Labour Department.
2. Our Group's accident rate is calculated as the number of accidents during the calendar year divided by the average number of site workers during the same calendar year and multiply the result by 1,000. The number of site workers includes our workers and workers arranged by our subcontractors.
3. The relevant data has not been published as at the Latest Practicable Date.

Save as disclosed above and to the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant accidents in relation to workers' safety. The accident rates at our construction sites were lower than the construction industry average in Hong Kong for the years ended 31 December 2015, 2016 and 2017 respectively. We had no industrial fatal accident for those years and up to the Latest Practicable Date.

BUSINESS

INSURANCE

During the Track Record Period, we secured insurance policies as set out in the following paragraphs.

Employees' compensation insurance

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

Under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction works, 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. As we are engaged as a subcontractor, our liability in respect of the claims from our employees and our subcontractors arising out of and in the course of working at construction sites are covered by the insurance policy taken out by our customer or the main contractor.

We have also procured the employees' compensation insurance for our employees conducting construction site visits and for our office staff.

Contractors' all risks insurance

During the Track Record Period, in respect of the contract works undertaken by us, the employer and/or the respective main contractors have taken out contractors' all risk insurance policies covering our liabilities arising from potential damage to the buildings or structures under our contract works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our contract works by us or by our subcontractors.

Our Directors confirmed that all our projects during the Track Record Period were covered and protected by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractor or the employer 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 in connection with the works performed by them in the relevant construction site.

Other insurance coverage

We maintained office insurance policy to protect against general office risks including loss or damage of office contents and any bodily injury occurring at our office premises. We also maintained insurance against third-party liabilities in relation to the use of our motor vehicles.

BUSINESS

As disclosed in the section headed “Risk Factors” in this prospectus, certain type of risks, such as risks in relation to the collectability our trade receivables, our estimation and management of costs, are generally not insured as they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk management and internal control systems” in this section below for details regarding our Group’s management of certain uninsured risks.

Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had not applied for the registration of or registered any trademark in Hong Kong.

As at the Latest Practicable Date, our Group was the registered owner of the domain “silvertide.hk” and the domain “hfy.hk”.

Detailed information of our intellectual property rights is set out in the paragraph headed “(B) Further information about our business – 2. Intellectual property rights” in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 27 full-time employees who were directly employed by our Group. All of our employees are stationed in Hong Kong. A breakdown of our employees by function as at 31 March 2016, 31 March 2017, 31 March 2018, 31 December 2018 and the Latest Practicable Date is set out below:

	As at 31 March			As at 31 December 2018	As at the Latest Practicable Date
	2016	2017	2018	2018	Date
Management	4	4	4	5	5
Project management and execution	7	8	10	10	12
Quantity surveyor	3	3	3	3	6
Administration, accounting and finance	<u>3</u>	<u>4</u>	<u>2</u>	<u>4</u>	<u>4</u>
Total	<u>17</u>	<u>19</u>	<u>19</u>	<u>22</u>	<u>27</u>

Relationship amongst employees

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

Training and recruitment policies

We generally recruit our employees through the open market by placing advertisement. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuing basis and will determine whether additional personnel are required to cope with the business development of our Group from time to time. Our Directors confirmed that there has not been any incident of strike or labour shortage during the Track Record Period and up to the Latest Practicable Date, which adversely affected our operations.

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

BUSINESS

Measures to prevent from having illegal workers

Pursuant to section 38A of the Immigration Ordinance, a construction site controller should take all practicable steps to prevent from having illegal workers working on site. For further information, please refer to the paragraph headed “Regulatory Overview – A. Labour, Health and Safety – Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)” in this prospectus.

We have not been convicted of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting) in the past in respect of work sites over which we had or have control or of which we are or were in charge.

To satisfy the aforesaid requirements under the Immigration Ordinance, we have put in place the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers who are not lawfully employable from taking employment on site:

- before employing a person, our human resources and procurement manager shall inspect and take copy of the original of his/her Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong; and
- our site supervisors will refuse any person who does not possess any valid training certificate from entering the site.

Remuneration policy

The remuneration package that our Group offers to employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee’s qualifications, position and seniority. As required by Hong Kong laws, we have enrolled all of our full-time staff in the Mandatory Provident Fund Scheme. We intend to maintain our remuneration package competitive in order to attract and retain talented labour, and we regularly carry out staff evaluation to assess their performance.

PROPERTIES

As at the Latest Practicable Date, we leased from an Independent Third Party a property situated at Flat A-B, 14th Floor, Skyline Tower, No. 18 Tong Mi Road, Mongkok, Kowloon, Hong Kong (the “**Office Premises**”) with a gross floor area of approximately 1,130 sq.ft. as our Hong Kong office premises and our principal place of business in Hong Kong. The Office Premises was leased at a monthly rental of HK\$26,200 with a term commencing from 11 February 2018 to 10 February 2020.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

Please refer to the paragraph headed “Customers – Pricing policy” in this section.

(ii) Risk relating to subcontractors’ performance

Please refer to the paragraph headed “Suppliers and subcontractors – Subcontracting” in this section.

(iii) Credit risk management

We may face risks in relation to the collectability of our trade receivables. For details, please refer to the paragraph headed “Risk Factors – We are exposed to our customers’ credit risks and our liquidity position may be adversely affected if our customers fail to make payment on time or in full” in this prospectus.

In order to mitigate such risks, customer acceptance procedures are performed on all potential customers including (i) researching on the history of the customers, job reference and reputation for new customers; and (ii) checking the customers’ history with our Group in terms of financial credibility.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 December 2018, our trade receivables turnover days are approximately 32.1 days, 24.4 days, 27.9 days and 36.4 days respectively. Please refer to the paragraph headed “Financial Information – Discussion of selected statement of financial position items – Trade receivables” for further details of our trade receivables turnover days.

Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions, having regard to the customers’ normal payment processing procedures, our relationship with the customers, its history of making payments, its financial position as well as the general economic environment. During the Track Record Period, our follow-up actions for recovering long-overdue payment included active communications with the customers. Other actions may include refraining from accepting new projects from customers with long-overdue payments and, where necessary, taking legal actions.

(iv) Liquidity risk management

There are often time lags between making payments for our operating expenses, and receiving payment from our customers when undertaking contract works, which will result in possible cash flow mismatch.

BUSINESS

In order to manage our liquidity position, we have adopted the following measures:

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

(v) Interest rate risks

Our Group is exposed to interest rate risk in relation to our bank borrowings. For further details on our interest rate risk management, please refer to note 31 in Section II of the Accountants’ Report in Appendix I to this Prospectus.

(vi) Risk of future non-compliance

Please refer to the paragraph headed “Non-compliance” in this section.

(vii) Quality control system

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

(viii) Health and safety system

Please refer to the paragraph headed “Health and safety” in this section.

(ix) Environmental management system

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

(x) Corporate governance measures

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and Senior Management” in this prospectus. In particular, one of the primary duties of our Audit Committee is to review the effectiveness of our Company’s internal audit activities, internal controls and risk management systems.

BUSINESS

Our Audit Committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and Senior Management” in this prospectus. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed “Relationship with Controlling Shareholders — Corporate governance measures” in this prospectus. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, no claims or litigations of material importance were pending or threatened against our Group.

Litigation in relation to employees’ compensation claims and common law personal injury claims against our Group

Our Directors confirmed that, to the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, our Group was involved in one ongoing employees’ compensation application and three ongoing personal injury claims resulting from four workplace accidents. Details of the four workplace accidents are set out below:

- (i) it was purported that a site worker suffered left shoulder pain and tear allegedly after a fall in July 2016;
- (ii) it was purported that a site worker suffered urethral injury allegedly after a slip and fall in August 2016;
- (iii) it was purported that a site worker suffered injuries to her left ankle allegedly as a result of a fall from a staircase in August 2017; and
- (iv) it was purported that a site worker suffered weakness to his left side of the body allegedly as a result of being hit by a metal rod in May 2018.

As the amounts of the above claims are not stated in the court documents or we have not been served with the documents containing information on the amounts of the respective claims from the applicants/plaintiffs, the amounts of the claims will be subject to the assessment made by the Court. For accidents that personal injuries claim has not yet been commenced as the times to commence the personal injuries claim under common law against Hop Fat Yuk Ying have not been expired under the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), it is probable that the workers concerned may commence their personal injury claims under common law against Hop Fat Yuk Ying before the respective times for claims are barred.

BUSINESS

Further, by mutual consents of the parties or notices of discontinuance filed by the relevant applicants, 11 employees' compensation applications and two common law personal injuries claims that were commenced against Hop Fat Yuk Ying as a respondent/defendant for accidents occurred during the Track Record Period and up to the Latest Practicable Date had been settled or discontinued. Despite the settlement or discontinuance of the 11 employees' compensation applications, (a) three of the applicant workers have commenced personal injury claims under common law against Hop Fat Yuk Ying and (b) six of the applicant workers may have potential personal injury claims under common law against Hop Fat Yuk Ying for the reason that the limitation periods for instituting the personal injury claims under common law have not been expired. The remaining two applicant workers have settled the corresponding personal injuries claim under common law with Hop Fat Yuk Ying. For further details of the potential employees' compensation claims and potential common law personal injury claims against our Group, please refer to the paragraph headed "Potential claims" in this section below.

Taking into account the insurance policies maintained by the relevant main contractors, our Directors take the view that our Group's potential liability under the aforesaid one ongoing employees' compensation claim and three ongoing personal injuries claims will be fully covered by the relevant insurance policies and that these ongoing claims will not have material impact on our Group's operations. Our Directors are of the view that the occurrence of employees' compensation applications and personal injury cases under common law is not uncommon in the industry. None of our Directors has been involved in our Group's litigation rendering him unable to comply with Rules 3.08 and 3.09 of the Listing Rules.

Litigations in relation to safety-related non-compliance

In addition, during the Track Record Period, we have been involved in a number of litigations in relation to safety-related non-compliances with the applicable laws and regulations. For further details, please refer to the paragraph headed "Non-compliance" in this section below.

BUSINESS

Potential claims

There were 27 workplace accidents occurred to workers of our Group and our subcontractors during the Track Record Period and up to the Latest Practicable Date, out of which 18 accidents may give rise to potential employees' compensation claims and/or potential common law personal injuries claims against our Group, where the limitation periods for the workers to commence such claims have not been expired.

Potential claims refer to those claims that have not commenced against our Group but are 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 pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As court proceedings for such potential claims have not been commenced, we are not in a position to assess the likely quantum of such potential claims. The limitation periods for the employees' compensation claim and the common law personal injury claim regarding four of the accidents occurred in April 2015, January 2016 and May 2016 have expired. For five other accidents, both the employees' compensation claims and the common law personal injuries claims have been commenced against our Group. The remaining 18 accidents which may give rise to potential claims against our Group have included the six of the employees' compensation applications which our Group has settled or discontinued during the Track Record Period and as at the Latest Practicable Date as referred to in the paragraph headed "Litigations in relation to employees' compensation claims and common law personal injury claims against our Group" in this section above. The nature of accidents and the purported injuries for these remaining 18 accidents that were reported to the Labour Department are as follows:

Nature of accident	Nature of purported injury	Number of accident per injury
1. Fell from height	Fracture of (i) rib or (ii) left ankle	2
	Contusion and bruise of (i) lower back or (ii) right wrist and shoulder	2
	Fracture of left distal radius, head, neck and right knee	1
	Contusion and bruise of lower back	1
2. Slipped, tripped or fell on same level	Sprain and strain of left ankle	1
	Head injury, mallet finger, swelling of distal interphalangeal joint and tenderness over back, buttock and left shin	1

BUSINESS

Nature of accident	Nature of purported injury	Number of accident per injury
3. Struck by/against moving or falling object	Left foot fracture	1
	Contusion and bruise of eye	1
	Left sided weakness	1
	Fracture on left index finger	1
4. Injured whilst lifting or carrying	Forearm (i) fracture or (ii) laceration and cut	2
	Contusion and bruise of left index finger	1
5. Bacterial infection	Left eye infection	1
6. Contact with moving machinery	Laceration and cut of right finger	1
7. Injured whilst handling timbers	Right forearm wound	1

18

These accidents occurred during the usual and ordinary course of our business and have neither caused any material disruption to our Group's business nor caused any material adverse impact on our Group to obtain and renew any licences or permits for our operation. Moreover, there are insurance policies in place to cover our potential liabilities in relation to the above. Our Directors are of the view that the amount of such potential claims to be borne by our Group in the proceedings shall be covered by relevant insurance policies. For further details, please refer to the paragraph headed "Insurance" in this section above.

BUSINESS

NON-COMPLIANCE

The Summonses

During the Track Record Period and up to the Latest Practicable Date, we received improvement notices and suspension notices issued by the Labour Department. Those improvement notices and suspension notices were issued following the random inspections or accident investigations carried out by the Labour Department. Improvement notices are issued to require rectification of contravention of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance within a specified period or to refrain from continuing or repeating the contravention, while suspension notices are issued to suspend an activity or the use of premises or of any plant or substance where there is imminent risk of death or serious bodily injury. After the issuance of improvement notices and suspension notices, the Labour Department may initiate legal proceedings by serving related summonses in connection with the non-compliances alleged in the improvement notices and suspension notices.

Hop Fat Yuk Ying was convicted of ten summonses (the “**Summonses**”) in respect of non-compliance incidents under the Factories and Industrial Undertakings Ordinance and its subsidiary legislations (including the Construction Sites (Safety) Regulations) which occurred during the Track Record Period. A summary of the Summonses is set out below:

Particulars of the Summonses <i>(Note 1)</i>	Date of the incidents leading to the Summonses <i>(Note 2)</i>	Relevant sections of the ordinance/ regulation	Legal consequences and liabilities/actual penalty
1-4. Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more	(i) 20 April 2015	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	(i) a fine of HK\$14,000 ^{<i>(Note 3)</i>}
	(ii) 7 March 2017		(ii) a fine of HK\$15,000 ^{<i>(Note 3)</i>}
	(iii) 9 April 2018		(iii) a fine of HK\$12,000 ^{<i>(Note 3)</i>}
	(iv) 13 April 2018		(iv) a fine of HK\$12,000 ^{<i>(Note 3)</i>}
5-7. Failing to ensure that, so far as reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained	(i) 20 April 2015	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	(i) a fine of HK\$9,000 ^{<i>(Note 3)</i>}
	(ii) 7 March 2017		(ii) a fine of HK\$12,000 ^{<i>(Note 3)</i>}
	(iii) 9 April 2018		(iii) a fine of HK\$8,000 ^{<i>(Note 3)</i>}

BUSINESS

Particulars of the Summonses ^(Note 1)	Date of the incidents leading to the Summonses ^(Note 2)	Relevant sections of the ordinance/ regulation	Legal consequences and liabilities/actual penalty
8. Failing to ensure suitable goggles or effective screens were provided for protection of workman in cutting wooden plank at a construction site	27 July 2015	Regulations 43(a), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations	a fine of HK\$3,500 ^(Note 3)
9. Failing to provide and maintain safe plant and system of work	2 November 2016	Sections 6A(1), 6A(2)(a) and 6A(3) of the Factories and Industrial Undertakings Ordinance	a fine of HK\$16,500 ^(Note 3)
10. Failing to provide necessary information, instruction, training and supervision for safety at work	2 November 2016	Sections 6A(1), 6A(2)(c) and 6A(3) of the Factories and Industrial Undertakings Ordinance	a fine of HK\$15,000 ^(Note 3)

Notes:

1. Subsequent to the issuance of improvement notices, the Labour Department had served summonses 1, 2, 3, 4, 5, 6, 7 and 8 on Hop Fat Yuk Ying in connection with the non-compliances alleged in the said improvement notices. Further, subsequent to the issuance of suspension notices, the Labour Department had served summonses 9 and 10 on Hop Fat Yuk Ying in connection with the non-compliance alleged in the said suspension notices. As confirmed by our Directors, the said suspension notices did not cause any material impact on the operation of our Group because (i) the actual penalty imposed against Hop Fat Yuk Ying was not particularly high; (ii) our Group was not aware of any material delay as a result of the said suspension notices; (iii) the said suspension notices were subsequently revoked and our Group was allowed to resume the construction works at the site upon the said revocation; (iv) the related construction works were duly completed in April 2017; and (v) during the Track Record Period and up to the Latest Practicable Date, we were not involved in any claims and litigations brought by the relevant customer as a result of the said suspension notices.
2. As confirmed by our Directors and the Safety Consultant, the incidents leading to the Summonses arose because the relevant site workers failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group's safety management system.
3. The fine has been paid by our Group. As advised by the Legal Counsel, this incident has been put to an end by the payments of the fine, and as such, the legal consequences and liabilities under this incident were final and conclusive.

BUSINESS

The Suspension Notices and Improvement Notices

Subsequent to the Track Record Period, following the Labour Department's three random inspections which took place in January 2019, February 2019 and May 2019 at three construction sites located at Pok Fu Lam Road (the "**Pok Fu Lam Site**"), Tuen Mun (the "**Tuen Mun Site**") and Ma Tau Wai Road (the "**Ma Tau Wai Site**"), (i) six suspension notices (the "**Suspension Notices**") and (ii) 20 improvement notices (the "**Improvement Notices**") were issued by the Labour Department against Hop Fat Yuk Ying. Details of the Improvement Notices and Suspension Notices are set out below:

Location and type of notice	Particulars of the improvement notice/ suspension notice ^(Note 1)	Date of the incident	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Pok Fu Lam Site: improvement notice 1	Failing to ensure that no material with projecting nails or other sharp objects are left on the place where the construction work is being carried out if the nails or objects are a source of danger to the workmen employed	17 January 2019	Regulation 51(2) of the Construction Sites (Safety) Regulations	Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulations 51(2) and 43(b) is fine of HK\$50,000. As advised by the Legal Counsel, based on the experience of the Legal Counsel in handling similar cases, if Hop Fat Yuk Ying is being convicted on its guilty plea to the summonses that might be issued against Hop Fat Yuk Ying by reason of the two improvement notices, a fair estimate of the likely penalty would be a fine of not above HK\$15,000 for each of the convictions, and total of not above HK\$30,000 for improvement notices 1 and 2.
Pok Fu Lam Site: improvement notice 2	Failing to ensure that workman uses goggles or screens at a construction site where there is carried on any process which results in particles of material or dust being produced in such a manner as to be likely to enter or damage the eyes of the workman engaged in the process	17 January 2019	Regulation 43(b) of the Construction Sites (Safety) Regulations	As advised by the Legal Counsel, based on the experience of the Legal Counsel in handling similar cases, if Hop Fat Yuk Ying is being convicted on its guilty plea to the summonses that might be issued against Hop Fat Yuk Ying by reason of the two improvement notices, a fair estimate of the likely penalty would be a fine of not above HK\$15,000 for each of the convictions, and total of not above HK\$30,000 for improvement notices 1 and 2.

BUSINESS

Location and type of notice	Particulars of the improvement notice/ suspension notice ^(Note 1)	Date of the incident	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Pok Fu Lam Site: suspension notices 1, 2, 3, 4, 5 and 6	Failing to take adequate steps to prevent a person on a place where the construction work was being carried out from falling from a height of two metres or more	17 January 2019	Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 38B(1A) is a fine of HK\$200,000 and to imprisonment for 12 months for offences committed without reasonable excuse and in any other case to a fine of HK\$200,000 ^(Note 2) .
Tuen Mun Site: improvement notices 3, 4, 5, 6, 7, 8 and 9		21 February 2019		
Ma Tau Wai Site: improvement notices 10, 11, 12, 13 and 14		9 May 2019		Hop Fat Yuk Ying was convicted four times under the same offence during the Track Record Period. The maximum fine that Hop Fat Yuk Ying was ordered to pay as a result of the said convictions was fine of HK\$15,000 for a conviction. As advised by the Legal Counsel, based on the experience of the Legal Counsel in handling similar cases and the aforesaid previous convictions under the same offence, if Hop Fat Yuk Ying is being convicted on its guilty plea to the summonses that might be issued against Hop Fat Yuk Ying by reason of the Suspension Notices and the twelve improvement notices, a fair estimate of the likely penalty would be a fine of not above HK\$18,000 for each of the convictions, and total of not above HK\$324,000 for the suspension notices 1, 2, 3, 4, 5 and 6 and improvement notices 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14.

BUSINESS

Location and type of notice	Particulars of the improvement notice/ suspension notice ^(Note 1)	Date of the incident	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Tuen Mun Site: improvement notice 15	Failing to take such precautions as were necessary to prevent a workman carrying out the construction work from being struck by falling object	21 February 2019	Regulations 49(1A), 68(1)(a) and 68(2)(a) of the Construction Sites (Safety) Regulations	<p>Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 49(1A) is a fine of HK\$200,000.</p> <p>As advised by the Legal Counsel, based on the experience of the Legal Counsel in handling similar cases and other court cases concerning the same offences as well as based on Hop Fat Yuk Ying's previous clear record under this offence, if Hop Fat Yuk Ying is being convicted on its guilty plea to the summons that might be issued against Hop Fat Yuk Ying by reason of the improvement notice, a fair estimate of the likely penalty would be a fine of not above HK\$30,000 for the conviction.</p>
Ma Tau Wai Site: improvement notices 16, 17, 18 and 19	Failing to ensure that, so far as reasonably practicable, suitable and adequate safe access to and egress from a place of work was provided and properly maintained	9 May 2019	Regulations 38AA(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	<p>Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 38AA(2) is a fine of HK\$200,000 and to imprisonment for 12 months for offences committed without reasonable excuse and in any other case to a fine of HK\$200,000 ^(Note 2).</p> <p>Hop Fat Yuk Ying was convicted three times under the same offence during the Track Record Period. The maximum fine that Hop Fat Yuk Ying was ordered to pay as a result of the said convictions was fine of HK\$12,000 for a conviction.</p> <p>As advised by the Legal Counsel, based on the experience of the Legal Counsel in handling similar cases and the aforesaid previous convictions under the same offence, if Hop Fat Yuk Ying is being convicted on its guilty plea to the summonses that might be issued against Hop Fat Yuk Ying by reason of the four improvement notices, a fair estimate of the likely penalty would be a fine of not above HK\$15,000 for each of the convictions, and total of not above HK\$60,000 for improvement notices 16, 17, 18 and 19.</p>

BUSINESS

Location and type of notice	Particulars of the improvement notice/ suspension notice ^(Note 1)	Date of the incident	Relevant laws and regulations	Likely legal consequences in the event of conviction and the relevant basis
Ma Tau Wai Site: improvement notice 20	Failing to provide and ensure the use of a scaffold, ladder or other means of support, which was safe for the purpose, having regard to the work to be done, where work could not be safely done on or from the ground or from part of a permanent structure	9 May 2019	Regulations 38C, 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations	<p>Under the Construction Sites (Safety) Regulations, the maximum penalty for the breach of regulation 38C is a fine of HK\$200,000 and to imprisonment for 12 months for offences committed without reasonable excuse and in any other case to a fine of HK\$200,000 ^(Note 2).</p> <p>As advised by the Legal Counsel, based on the experience of the Legal Counsel in handling similar cases and another court case concerning the same offence as well as based on Hop Fat Yuk Ying's previous clear record under this offence, if Hop Fat Yuk Ying is being convicted on its guilty plea to the summons that might be issued against Hop Fat Yuk Ying by reason of the improvement notices, a fair estimate of the likely penalty would be a fine of not above HK\$10,000 for the conviction.</p>

BUSINESS

Notes:

1. As confirmed by our Directors and the Safety Consultant, the incidents leading to the issuance of the Improvement Notices and the Suspension Notices arose because the relevant site workers failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group's safety management system.
2. As advised by the Legal Counsel, imprisonment would be imposed in cases where the offences are committed without reasonable excuse. In view of the above reason leading to the issuance of the Improvement Notices and Suspension Notices, the Legal Counsel is of the view that there would be reasonable excuse and there would be no imprisonment for the incidents leading to the Improvement Notices and Suspension Notices if there are prosecutions and convictions of the directors of Hop Fat Yuk Ying in addition to Hop Fat Yuk Ying. Having considered (a) the aforesaid reason leading to the issuance of the Improvement Notices and Suspension Notices; (b) there is no material to suggest that incidents involved fraud or deceit; and (c) there will not be significant financial impact on Hop Fat Yuk Ying as a result of the Improvement Notices and Suspension Notices, the Legal Counsel's view is that the Improvement Notices and Suspension Notices will not affect the suitability of directors.

The six-month period for laying information arising from the Improvement Notices and Suspension Notices in the case of an offence by the Labour Department under section 26 of the Magistrates Ordinance (Chapter 277 of the Laws of Hong Kong) has not expired. Therefore, summonses for the alleged failures under the Improvement Notices and Suspension Notices may be issued against Hop Fat Yuk Ying. Nonetheless, as at the Latest Practicable Date, no relevant summonses had been received.

On the basis of the likely penalties as mentioned above, relevant provision in the sum of HK\$454,000 according to the fair estimate by the Legal Counsel has been made subsequent to the Track Record Period to cover our Group's potential liability arising from the Improvement Notices and Suspension Notices. For details of the likely legal consequences in respect of the Suspension Notices and Improvement Notices and the relevant basis, please refer to the column headed "Likely legal consequences in the event of conviction and the relevant basis" under the paragraph headed "Non-compliance – The Suspension Notices and Improvement Notices" in this section.

Our Directors consider that the issuance of the Suspension Notices did not and is not expected to cause any material adverse impact on the operation of our Group due to the following reasons:

- as advised by the Legal Counsel, except for the business registration under the Business Registration Ordinance, there are no other licences, permits or approvals required to be obtained for our business as a subcontractor. Following the issuance of the Suspension Notices and as at the Latest Practicable Date, the business registration of Hop Fat Yuk Ying under the Business Registration Ordinance remained valid. Further, as advised by the Legal Counsel, given that every business requires business registration under the Business Registration Ordinance and the Suspension Notices are irrelevant to business registration, we do not expect any legal impediment in renewing/maintaining the business registration under the Business Registration Ordinance;

BUSINESS

- after the issuance of the Suspension Notices, the main contractor of the Pok Fu Lam Site had coordinated all the subcontractors to follow up with safety actions and had submitted improvement plans to the Labour Department for applying to revoke the Suspension Notices. Subsequently, all of the Suspension Notices had been revoked in March 2019 and Hop Fat Yuk Ying has resumed full operations at the Pok Fu Lam Site. As confirmed by our Directors, no suspended works were carried out by Hop Fat Yuk Ying at the Pok Fu Lam Site and Hop Fat Yuk Ying had complied with the Suspension Notices while they were in force;
- the Suspension Notices only suspended Hop Fat Yuk Ying from performing works relating to the striking of PVC (polyvinyl chloride) pipes at a designated area of the Pok Fu Lam Site and Hop Fat Yuk Ying was allowed to carry out works at other areas of the Pok Fu Lam Site while the Suspension Notices were in force;
- the estimated penalties arising from the Improvement Notices and Suspension Notices are not particularly high and in any event, relevant provision has been made to cover our Group's potential liability under the Improvement Notices and Suspension Notices; and
- as at the Latest Practicable Date, our Group was not aware of any material delay in the construction works at the Pok Fu Lam Site as a result of the Suspension Notices.

As advised by the Legal Counsel, the Improvement Notices and Suspension Notices will not cause any legal impediment for the renewal and/or maintenance of its registration as a registered subcontractor under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council.

Under the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme and the Rules and Procedures for the Register of Subcontractors of the Registered Specialist Trade Contractors Scheme, circumstances that may lead to regulatory actions (e.g. suspension or revocation of registration under the Subcontractor Registration Scheme of the Construction Industry Council) include (a) convictions under the Factories and Industrial Undertakings Ordinance or the Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in loss of life or serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability; and (b) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance or the Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period, committed by the registered subcontractor at each of a construction site under a contract.

As the incidents leading to the issuance of the Improvement Notices and Suspension Notices did not involve any injury or death and arose out of three incidents, the Legal Counsel is of the view that the Improvement Notices and Suspension Notices will not cause regulatory action in relation to Hop Fat Yuk Ying's registration under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) of the Construction Industry Council.

BUSINESS

As advised by the Legal Counsel with reference to the Guidance Letter HKEx-GL63-13, the incidents leading to the issuance of the Improvement Notices and Suspension Notices are recurring in nature and would constitute systemic non-compliances. Under the Guidance Letter HKEx-GL96-18, systemic and/or repeated breaches of laws and regulations may affect suitability for listing since the concern is the lack of competence or capacity, borne out by systemic or repeated breaches, even if not deliberate. Nonetheless, having considered, among others, (i) the nature of the Improvement Notices and Suspension Notices is not the most serious type as no injury or death was involved; (ii) the issuance of improvement notices and suspension notices of the same nature is common in the construction industry; and (iii) the estimated penalties that may result from the Improvement Notices and Suspension Notices are not particularly high, the Legal Counsel is of the view that the issuance of the Improvement Notices and Suspension Notices would not affect our Group's suitability for listing.

Rectifications and enhanced internal control measures

Upon identification of the above incidents, our Group has taken the following specific rectification actions:

- the responsible safety supervisor shall closely monitor compliance of safety rules in relation to (i) working at height, lifting operation and working platform, and (ii) eye protection in each construction site to ensure that workers strictly follow our Group's relevant safety rules. For works to be conducted on working platform and at a height of two metres or above, the relevant working platforms shall be inspected by a 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. For cutting wooden plank by circular saw, the relevant workers are required to wear an eye protector during the course of performing the work;
- the safety supervisors shall report (a) incidents of non-compliances and their details and (b) relevant improvement measures to the responsible safety officer, site supervisor and/or project manager. Each safety supervisor shall review and implement the relevant improvement measures at the site in which the safety supervisor is stationed. Project managers and site supervisors shall ensure that (i) sufficient fall arresting equipment and facilities, and (ii) sufficient eye protection gears and equipment are available on site.
- providing and maintaining suitable and adequate safe access to and egress from the construction sites;
- providing and maintaining safe plant and system of work;
- we have conducted additional training and/or re-fresh training to the workers to remind them of the safety rules and requirement of (i) working at height, lifting operation and working platform safety, and (ii) eye protection, in particular, wearing safety goggles and protective gears; and

BUSINESS

- we have conducted specific training to the workers reminding the workers to follow our Group's safety measures, in particular, in the areas of protection from sharp objects and nails at construction sites and prevention of struck by falling objects.

In addition to the above specific rectification actions, we have carried out additional internal control measures to further enhance our internal control systems to ensure compliance of various applicable laws and regulations. Such additional internal control measures include the following:

- we established a safety committee in August 2018, which holds meetings on a monthly basis to identify and review measures to improve the safety and health matters on site. Mr. CM Ip is the chairman of our safety committee. The Safety Consultant shall attend the safety committee meetings in order to give professional and independent safety advice and opinion to all committee members;
- we established a set of step-by-step guidelines detailing the proper work procedures and safety precautions for carrying out the relevant work and conducting risk assessments to identify the potential hazards as well as providing suggestions on proper preventive measures prior to commencement of construction works;
- we issued warning letters to the relevant subcontractors who had failed to follow our in-house safety guidelines; and
- an additional safety personnel who holds a certificate in safety and health for supervisors (construction) was hired by our Group in March 2019 for site inspection with an aim to identify any safety issue at the relevant construction sites.

Further, following the recommendations from the Safety Consultant, we will employ a safety watchman for every construction site where we perform construction works. The primary function of the safety watchmen is to observe the construction works undertaken by our Group in order to ensure our site workers are in compliance to the applicable safety policies, procedures and regulations, and to stop any unsafe operation or activity at the construction site. As at the Latest Practicable Date, our Group was in the course of selecting suitable candidates to join our Group as safety watchmen.

Our Group is committed to complying with all relevant workplace safety laws and regulations applicable to our operations. Our Directors believe that, together with the additional internal control measures adopted by our Group following the issuance of the Improvement Notices and Suspension Notices, there are proper and sufficient internal control measures being put in place to prevent occurrence of safety-related non-compliance incidents going forward. As confirmed by our Directors and the Safety Consultant and as mentioned above, the incidents leading to the Summonses and issuance of the Improvement Notices and Suspension Notices arose because the relevant site works failed to follow the applicable safety policies, procedures and regulations. In order to reduce the likelihood of occurrence of similar non-compliance incidents in the future, an additional safety personnel

BUSINESS

who holds a certificate in safety and health for supervisors (construction) was hired by our Group in March 2019 for site inspections with an aim to identify any safety issue at the relevant construction sites. During the site inspections, the safety personnel would focus on checking whether our workers and workers arranged by our subcontractors have followed our safety guidelines.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there was no other non-compliance incident which constituted material non-compliance or systemic non-compliance, and our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

Temporary suspension of registration under the Subcontractor Registration Scheme

On 14 April 2012, a site worker of Hop Fat Yuk Ying fell from the rooftop of the work site, resulting in death of the worker. Hop Fat Yuk Ying was convicted of two counts of failing to take adequate steps to prevent person from falling from a height of two metres or more contrary to Regulations 38B(1A), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations in February 2014 and was fined a total of HK\$150,000. As a result of the fatal accident and the convictions, in July 2014, the Construction Industry Council held a disciplinary hearing and ordered a two-month suspension of Hop Fat Yuk Ying's registration of the below trades/specialties under the Subcontractor Registration Scheme (the "**Suspension**") from 8 August 2014 to 7 October 2014 (the "**Suspension Period**"):

Trade	Specialty
Concreting formwork	– Timber formwork – Metal/system formwork
Concrete precast component Scaffolding	– Erection – Metal scaffolding

Pursuant to the contract for a public project (the "**Relevant Contract**") undertaken by Hop Fat Yuk Ying for a customer (the "**Relevant Customer**") during the Suspension Period, Hop Fat Yuk Ying was required to be a registered subcontractor under the Subcontractor Registration Scheme.

Our Directors consider that the Suspension did not cause any material adverse impact on the operation of our Group for the following reasons:

- as advised by the Legal Counsel, except for the business registration under the Business Registration Ordinance, there are no other licences, permits or approvals required to be obtained for our business as a subcontractor. Registration under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) is not a legal requirement for our Group to carry out our operation. Please refer to the paragraph headed "Major qualifications, certifications, awards and recognitions" in this section for details;

BUSINESS

- the business registration of Hop Fat Yuk Ying under the Business Registration Ordinance remained valid during the Suspension Period. Therefore, Hop Fat Yuk Ying remained duly licensed to carry out its business as a subcontractor during the Suspension Period;
- the Relevant Customer confirmed that: (i) during the Suspension Period, we were not involved in the above trades and specialties subject to the Suspension; and (ii) therefore, the Suspension did not constitute a breach of the Relevant Contract on our part;
- our Directors confirm that as at the Latest Practicable Date, we did not receive any material complaint from the Relevant Customer due to quality issue in relation to services provided by us under the Relevant Contract. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any claims and litigations brought by the Relevant Customer as a result of the Suspension; and
- After the Suspension, Hop Fat Yuk Ying has successfully renewed its registration under the Subcontractor Registration Scheme twice in May 2016 and May 2018, respectively.

Based on the above, our Directors consider that the Suspension was an isolated incident and it did not and will not cause any material adverse impact on the business operation of our Group. Except for the Suspension as disclosed above, none of the aforesaid non-compliances led to a removal, downgrading, demotion or suspension of our Group's qualifications, licences and registrations during the Track Record Period.

Review by the Safety Consultant

We engaged the Safety Consultant to perform safety reviews on our existing occupational health and safety management system and to assess the adequacy and effectiveness of our occupational health and safety management system in August 2018. The Safety Consultant performed, among other reviews, an initial review in August 2018 and a follow-up review in May 2019 (the "**Follow-up Review**").

During the safety reviews, the Safety Consultant has reviewed, among other things:

- (i) records pertaining to the accidents during the Track Record Period and up to the Latest Practicable Date;
- (ii) the existing safety measures and procedures adopted by our Group; and
- (iii) records pertaining to our implementation of safety measures and procedures.

As part of the safety reviews, the Safety Consultant has also carried out on-site inspections at selected work sites in which we were carrying out our works.

BUSINESS

Adequacy and effectiveness of our safety management system

In August 2018, we established a safety committee to hold meetings on a monthly basis to review our safety policies and provide recommendations on health and safety matters. Mr. CM Ip, our executive Director, is the chairman of our safety committee. The Safety Consultant shall attend the safety committee meetings in order to give professional and independent safety advice and opinion to all committee members. Mr. CM Ip has also been assigned to supervise our safety department and oversee our safety issues in order to ensure the implementation of safety guidelines.

Despite establishing our safety committee in August 2018, the Improvement Notices and Suspension Notices were issued against our Group in January 2019, February 2019 and May 2019. Upon performing various safety reviews, the Safety Consultant concluded that the incidents leading to the issuance of the Improvement Notices and Suspension Notices arose because the relevant site workers failed to follow the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group's safety management system. With an aim to reduce the likelihood of occurrence of similar incidents in the future, the following additional internal control measures were recommended by the Safety Consultant and adopted by our Group:

- conducting specific training to the workers reminding the workers to follow our Group's safety measures, in particular, in the areas of (i) wearing safety goggles and protective gears, (ii) protection from sharp objects and nails at construction sites, (iii) prevention from falling from height, and (iv) prevention of struck by falling objects;
- establishing a set of step-by-step guidelines detailing the proper work procedures and safety precautions for carrying out the relevant work and conducting risk assessments to identify the potential hazards as well as providing suggestions on proper preventive measures prior to commencement of construction works;
- issuing warning letters to the relevant subcontractors who had failed to follow our in-house safety guidelines;
- increasing the inspection frequency to enhance the safety monitoring on the sites; and
- employing a full-time safety personnel who holds a certificate in safety and health for supervisors (construction) in March 2019 responsible for site inspection, which focuses on checking whether our workers and workers arranged by our subcontractors have followed our safety guidelines in order to reduce the likelihood of recurrence of similar accidents and non-compliance incidents in the future.

BUSINESS

Further, following the recommendations from the Safety Consultant, we will employ a safety watchman for every construction site where we perform construction works. The primary function of the safety watchmen is to observe the construction works undertaken by our Group in order to ensure our site workers are in compliance to the applicable safety policies, procedures and regulations, and to stop any unsafe operation or activity at the construction site. As at the Latest Practicable Date, our Group was in the course of selecting suitable candidates to join our Group as safety watchmen.

The Safety Consultant has formed the view that the existing health and safety management system of our Group is adequate and effective, having considered, among other things:

- (i) the accidents during the Track Record Period and up to the Latest Practicable Date as referred to in the paragraph headed “Accidents during the Track Record Period” in this section above, the incidents leading to the Summonses as well as the issuance of the Suspension Notices and Improvement Notices arose mainly because of the carelessness of workers in failing to pay attention to site environment or the malpractice of the workers in failing to comply with the applicable safety policies, procedures and regulations, rather than intentional misconduct, fraud or dishonesty on the part of our Group or Directors or any material deficiencies in our Group’s safety management system;
- (ii) site inspections are carried out by our safety officer regularly to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations;
- (iii) we have conducted safety briefings to our workers and the workers arranged by our subcontractors before the commencement of site works, and regular safety meetings are held;
- (iv) regular safety trainings have been provided to our workers and the workers arranged by our subcontractors;
- (v) a safety audit under the Factories and Industrial Undertakings (Safety Management) Regulations had been conducted in March 2019 and the external safety auditor was satisfied with the findings on our safety management system;
- (vi) the additional internal control measures adopted by our Group following the incidents leading to the Summonses and the issuance of the Suspension Notices and Improvement Notices; and
- (vii) as systems of internal controls only provide reasonable assurance of prevention of non-compliance incidents, it is not possible to eliminate the possibility of the occurrence of similar safety-related non-compliances, which are common in the construction industry.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of (i) any litigation and claims of our Group in relation to acts, omissions or events occurred on or before the date on which the Share Offer becomes unconditional and (ii) any non-compliances of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “(E) Other information – 1. Tax and other indemnities” in Appendix V to this prospectus.

View of our Directors and the Sole Sponsor

Our Directors consider that the abovementioned incidents (including the Summonses, the Improvement Notices and the Suspension Notices) (collectively the “**Incidents**”) would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account (i) the Incidents arose because the workers did not follow the safety guidelines of our Group; (ii) the Incidents did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; (iii) our Legal Counsel advised that there is no implication on the suitability of our Directors to act as a director of our Company; and (iv) our Directors have adopted the enhanced internal control measure as set out above and the reviews by the Safety Consultant on our Group’s health and safety management system, our Directors are of the view, and the Sole Sponsor concurs that the various health and safety management measures adopted by our Group are adequate and effective to prevent recurrence of the Incidents. Besides, the Sole Sponsor considered that the Incidents do not reflect a material defect in the character, integrity or experience of our Directors and their suitability to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules. Furthermore, given the Incidents did not and will not have any material and/or financial impact on our Group, the insignificant aggregate amount of the fines of HK\$117,000 imposed (which were paid in full) for the Non-compliance Incidents and the insignificant aggregate amount of likely penalty of HK\$454,000 for the Improvement Notices and Suspension Notices (which provision has been made subsequent to the Track Record Period), as well as the Deed of Indemnity given in favour of us by our Controlling Shareholders, our Directors are of the view, and the Sole Sponsor concurs, that the Incidents do not affect our suitability for the Listing under Rule 8.04 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out the information in respect of our Directors and our senior management:

Directors

Name	Age	Position	Date of joining our Group	Date of appointment as Director of our Company	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. IP Chi Ming (葉志明先生)	45	Executive Director, chief executive officer and chairman of the Board	March 1998	24 July 2018	Responsible for overseeing day-to-day management and operations of our Group. He is also a member of the Remuneration Committee	N/A
Mr. LAU Woon Wing (劉煥榮先生)	48	Executive Director	October 2001	24 August 2018	Responsible for overseeing work progress on site and preparing payment applications. He is also a member of the Nomination Committee	N/A
Mr. SHUM Hau Tak (岑厚德先生)	52	Independent non-executive Director	8 June 2019	8 June 2019	Performing the role as independent non-executive Director, responsible for supervision and providing independent judgement to our Board, serving as the chairman of the Remuneration Committee and a member of the Audit Committee, advising on corporate governance matters.	N/A
Mr. PAU Chi Hoi (鮑智海先生)	39	Independent non-executive Director	8 June 2019	8 June 2019	Performing the role as independent non-executive Director, responsible for supervision and providing independent judgement to our Board, serving as the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee, advising on corporate governance matters.	N/A
Mr. LAW Chi Hung (羅智鴻先生)	35	Independent non-executive Director	8 June 2019	8 June 2019	Performing the role as independent non-executive Director, responsible for supervision and providing independent judgement to our Board, serving as the chairman of the Audit Committee and a member of the Nomination Committee, advising on corporate governance matters.	N/A

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. WONG Kin Wah (黃健華先生)	43	Project Manager	December 2009	December 2014	Responsible for overseeing site operations of our Group	N/A
Ms. CHOW Hoi Fei (周凱菲小姐)	31	Financial Controller and Company Secretary	May 2018	May 2018	Responsible for overseeing the financial operations and overall corporate governance of our Group	N/A
Ms. CHAN So Yu (陳素如小姐)	32	Human Resources and Purchasing Manager	First joined our Group in October 2011, and rejoined our Group in June 2015 after leaving us in March 2015	August 2017	Responsible for overseeing our Group's overall human resources and administrative system management	N/A

DIRECTORS

Executive Directors

Mr. IP Chi Ming (葉志明先生), aged 45, is our executive Director, our chief executive officer and chairman of the Board and a director of Forest Honour and Hop Fat Yuk Ying. Mr. CM Ip is also our Controlling Shareholder. He is also a member of the Remuneration Committee. He has over 20 years of experience in the construction industry specialising in providing formwork works in Hong Kong. Mr. CM Ip is primarily responsible for overseeing the day-to-day management and operations of our Group. He joined our Group in March 1998 and worked as a site supervisor in Hop Fat Yuk Ying where he was responsible for supervising site operations of formwork works. Since April 2010, he has become a project director of Hop Fat Yuk Ying and is responsible for overseeing operations and the technical aspects of the formwork works projects undertaken by Hop Fat Yuk Ying.

Mr. CM Ip completed a construction safety supervisor course organised by the Construction Industry Training Authority in July 2000. He was also awarded a certificate in Building Studies (Building Option) by the Vocational Training Council of Hong Kong Institute of Vocational Education in July 2001. He attended secondary education in Hong Kong. Mr. CM Ip is also a vice-secretary to Hong Kong Formwork Contractors Association.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CM Ip was a director of the following companies prior to their dissolutions:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
HK Worldwidetrade.com. Company Limited (香港世貿網有限公司)	Hong Kong	Online business trading	5 November 2010	Deregistration	Cessation of business
Hop Fat Building Construction Company Limited (合發建造工程有限公司)	Hong Kong	Inactive	16 June 2017	Deregistration	Inactive
Ming Dai Investment (HK) Company Limited (明大投資(香港)有限公司)	Hong Kong	Inactive	8 September 2017	Deregistration	Inactive
HK Helo Company Limited (香港蝦佬有限公司)	Hong Kong	Inactive	7 October 2016	Deregistration	Inactive
Yuk Sing Engineering Holdings Limited (旭昇工程控股有限公司)	The Cayman Islands	Investment holding	29 September 2017	Voluntary striking off	Inactive

Mr. CM Ip confirmed that (i) all the above companies were solvent prior to their dissolutions; (ii) there is no wrongful act on his part leading to the above dissolutions; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions; (iv) his involvement in the above companies was part and parcel of his services as a director of these companies and (v) no misconduct or misfeasance had been involved in the dissolutions of the above companies.

During the three years immediately preceding the Latest Practicable Date, Mr. CM Ip had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. LAU Woon Wing (劉煥榮先生), aged 48, is our executive Director. He is also a member of the Nomination Committee. Prior to joining our Group, Mr. Lau worked as a quantity surveyor in Po On Construction Crystal Treasure Limited. Mr. Lau joined our Group in October 2001 as a quantity surveyor and was promoted to the position of senior quantity surveyor in October 2009. During these years, Mr. Lau was responsible for, among others, overseeing work progress on site and preparing payment applications. He had over 17 years of experience in the construction industry specialising in providing formwork works in Hong Kong. Mr. Lau attended secondary education in Hong Kong and completed a construction safety supervisor course organised by the Construction Industry Training Authority in November 1996. He was awarded a Higher Certificate in Quantity Surveying by the Vocational Training Council of Hong Kong Institute of Vocational Education in July 2000.

During the three years immediately preceding the Latest Practicable Date, Mr. Lau had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. SHUM Hau Tak (岑厚德先生), aged 52, is our independent non-executive Director. He is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Shum is responsible for supervising and providing independent judgement to our Board, the Audit Committee and the Remuneration Committee.

Mr. Shum has over 30 years of experience in the construction industry. Between July 1985 and July 1988, Mr. Shum worked at Rider Levett Bucknall Limited (previously known as Levett & Bailey Chartered Quantity Surveyors Limited), a quantity surveying firm in Hong Kong, where he worked as a quantity surveyor. He then continued his studies in the United Kingdom. After completion of his studies in December 1991, he worked as a project quantity surveyor at Sun Fook Kong (Civil) Limited (previously known as Sung Foo Kee (Civil) Limited) from January 1992 to October 1992. From October 1992 to September 1998, he worked for Shun Shing Construction & Engineering Company, Limited, a construction contractor with offices in Hong Kong and Singapore, with his last position as a deputy general manager. In October 1998, Mr. Shum joined Kim Hung Construction & Engineering Company Limited, a construction contractor in Hong Kong, where he is currently serving as a director.

Mr. Shum graduated from Robert Gordon's Institute of Technology (now known as Robert Gordon University) in the United Kingdom with a Bachelor of Science degree in Quantity Surveying in July 1990, before he completed his Master of Science degree in Construction Project Management at The Victoria University of Manchester (now known as the University of Manchester) in the United Kingdom in December 1991.

Mr. Shum became a member of The Hong Kong Institute of Construction Managers, The Hong Kong Institute of Surveyors and The Hong Kong Institution of Engineers in August 2001, May 2005 and May 2009, respectively. He also became a registered professional engineer (building), registered professional surveyor in the quantity surveying division and registered construction manager in October 2010, April 2011 and March 2015, respectively.

Mr. Shum is a committee member of the Safety Specialist Committee of the Hong Kong Institution of Engineers.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shum was a director or supervisor of the following companies prior to their dissolutions:

Name of company	Place of incorporation/ establishment	Position held	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Zhaoqing Duanzhou District Leji Property Management Co., Ltd. 肇慶市端州區樂基物業管理有限公司	China	Supervisor	Property management	18 May 2016	Deregistration	Cessation of business
Asia Holdings (Contracting) Limited 東成(噴塗)有限公司	Hong Kong	Director	Inactive	15 March 2002	Deregistration	Inactive

Mr. Shum confirmed that (i) all the above companies were solvent prior to their dissolutions; (ii) there is no wrongful act on his part leading to the above dissolutions; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions; (iv) his involvement in the above companies was part and parcel of his services as a director of these companies and (v) no misconduct or misfeasance had been involved in the dissolutions of the above companies.

During the three years immediately preceding the Latest Practicable Date, Mr. Shum had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. PAU Chi Hoi (鮑智海先生), aged 39, is our independent non-executive Director. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Pau is responsible for supervising and providing independent judgement of our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Pau has over 10 years of experience in the architecture industry. Between October 2007 and October 2009, Mr. Pau worked as an architectural assistant at MLA Architects (H.K.) Limited, an architectural consultancy firm in Hong Kong. He subsequently worked for CYS Associates (Hong Kong) Limited, an architecture firm in Hong Kong, from January 2010 to November 2012 with his last position as an architect. From November 2012 to June 2015, Mr. Pau worked at Wong & Ouyang (HK) Limited, an architecture firm with offices in Hong Kong and Shanghai, with his last position as senior architect. From June 2015 to April 2016, he was an assistant project manager of Kowloon Development Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0034), principally engaged in property investment and development. He worked as an architect at AGC Design Limited, an architectural firm, from July 2016 to December 2017. Since January 2018, he has been working at Far East Architects Limited, an architecture firm in Hong Kong, where he is currently serving as a director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Pau obtained a Bachelor of Architecture from The University of New South Wales in Australia in September 2006. He became a registered architect in Hong Kong in January 2013. He also became an authorised person (list of architects) and a registered inspector (list of architects) in March 2015 and May 2018, respectively.

During the three years immediately preceding the Latest Practicable Date, Mr. Pau had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. LAW Chi Hung (羅智鴻先生), aged 35, is our independent non-executive Director. He is the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Law is responsible for supervising and providing independent judgement of our Board, the Audit Committee and the Nomination Committee.

Mr. Law has over 12 years of experience in providing accounting, auditing and taxation services. Between November 2005 and October 2006, he worked as an accountant at HLB Hodgson Impey Cheng, a CPA firm in Hong Kong. From November 2006 to November 2009, he worked for Shinewing (HK) CPA Limited, a CPA firm with offices in the PRC and Hong Kong, with his last position as a senior accountant. He subsequently worked for different audit firms including Kenny Tam & Co., CPA, a CPA firm in Hong Kong, from June 2011 to August 2012 with his last position as an audit supervisor, and Ko Shun CPA & Company, a CPA firm in Hong Kong, as a practicing partner. Since March 2017, he has served as a director of CLG CPA Limited, a CPA firm in Hong Kong. In May 2019, Mr. Law established Soar Harvest CPA & Co., CPA firm in Hong Kong, and is currently the sole proprietor of the firm.

Mr. Law has served as an independent non-executive director of SEEC Media Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 205), since June 2015.

Mr. Law obtained a Bachelor of Business Administration (Honours) in Accountancy from the City University of Hong Kong in Hong Kong in November 2005. He became a member and a fellow member of the Hong Kong Institute of Certified Public Accountants in May 2010 and July 2017, respectively. Mr. Law is also a member of The Hong Kong Independent Non-Executive Director Association.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law was a director or sole proprietor of the following company and sole proprietorship prior to their dissolutions:

Name of company	Place of incorporation/ establishment	Position held	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Hong Kong Quality Service SMEs Association Limited (香港優質服務中小企聯會有限公司)	Hong Kong	Director	Organising events for members	21 December 2018	Deregistration	Cessation of business
CT CPA & Company (智泰會計師事務所)	Hong Kong	Sole proprietor	Accounting services	23 May 2019	Deregistration	Cessation of business

Mr. Law confirmed that (i) the above company and sole proprietorship were solvent prior to their dissolutions; (ii) there is no wrongful act on his part leading to the above dissolutions; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions; (iv) his involvement in the above company and sole proprietorship was part and parcel of his services as a director of the above company and him being a sole proprietor of the above sole proprietorship, respectively; and (v) no misconduct or misfeasance had been involved in the dissolutions of the above company and sole proprietorship.

Saved as disclosed above, during the three years immediately preceding the Latest Practicable Date, Mr. Law had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Directors' interest

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management, substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. WONG Kin Wah (黃健華先生), aged 43, is our project manager. He has over nine years of experience in formwork projects management. Mr. Wong is responsible for overseeing the site operations of our Group. Mr. Wong joined our Group as a site supervisor in December 2009 and was promoted to the current position in December 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong was awarded a certificate in Building Studies by the Vocational Training Council of Hong Kong Institute of Vocational Education in Hong Kong in September 1999 and completed a construction safety supervisor course organised by the Construction Industry Council in January 2011.

Mr. Wong had not been a director of any other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Ms. CHOW Hoi Fei (周凱菲小姐), aged 31, is our financial controller and company secretary. She has over seven years of experience in auditing and accounting and is responsible for overseeing the financial operations and overall corporate governance of our Group. Ms. Chow joined our Group in May 2018. Prior to joining our Group, Ms. Chow worked at Shinewing (HK) CPA Limited from October 2010 to November 2012 with her last position as a semi-senior accountant. She subsequently worked for Mazars CPA Limited as a senior auditor from December 2012 to November 2013, and PricewaterhouseCoopers Limited as a senior associate from November 2013 to May 2015. Between August 2015 and April 2018, Ms. Chow worked at Biel Crystal (HK) Manufactory Limited, a Hong Kong-based company principally engaged in the manufacture of glass products, with her last position as an assistant finance manager.

Ms. Chow obtained a Bachelor of Business Administration (Honours) in Accountancy from the City University of Hong Kong in Hong Kong in July 2010. Ms. Chow became a certified public accountant of the Hong Kong Institute of Certified Public Accountants in July 2014.

During the three years immediately preceding the Latest Practicable Date, Ms. Chow had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. CHAN So Yu (陳素如小姐), aged 32, is our human resources and purchasing manager. Ms. Chan first joined our Group in October 2011 as an assistant account clerk of Hop Fat Yuk Ying, and rejoined our Group in June 2015 after leaving us in March 2015. She was promoted to her current position as our human resources and purchasing manager in August 2017. She is primarily responsible for overseeing the human resources and administration of our Group as well as supervising the daily operations of our Group's purchasing department.

Ms. Chan completed the Hong Kong Advanced Level Examination in June 2008.

During the three years immediately preceding the Latest Practicable Date, Ms. Chan had not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Chow Hoi Fei is the company secretary of our Group. Details of her qualifications and experiences are set out in the paragraph header "Senior management" above in this section.

DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT CONTINUITY

During the Track Record Period, our core management members comprised our executive Directors, namely, Mr. CM Ip and Mr. Lau, as well as Mr. Wong, a member of our senior management.

Mr. CM Ip has been a project director of Hop Fat Yuk Ying since April 2010 and has been responsible for the day-to-day management and operation of Hop Fat Yuk Ying. He is also responsible for making the final decisions with respect to specific business development strategy, overall management and major business plans relating to Hop Fat Yuk Ying. Mr. Lau has been with us since October 2001 and has served as our senior quantity surveyor since October 2009. Mr. Lau is responsible for, among others, overseeing work progress on site and preparing payment applications. Mr. Wong has joined us since December 2009 and was promoted to his current position as a project manager in December 2014. Mr. Wong is primarily responsible for overseeing our Group's site operations.

Mr. CY Ip and Mrs. Ip were the directors of Hop Fat Yuk Ying from the commencement date of the Track Record Period up to 22 March 2017. Nonetheless, during the Track Record Period:

1. Mr. CY Ip did not actively participate in the day-to-day management and operation of Hop Fat Yuk Ying. He maintained an advisory role and provided high-level guidance to Mr. CM Ip on overall business development strategy and overall management relating to Hop Fat Yuk Ying; and
2. Mrs. Ip assumed a non-executive role and did not participate in the day-to-day management of Hop Fat Yuk Ying.

As our Group's management responsibilities have been vested with Mr. CM Ip, Mr. Lau and Mr. Wong during the Track Record Period, our Directors consider that the management continuity requirement under Rule 8.05(1)(b) of the Listing Rules is satisfied.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Our Company established an Audit Committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our Audit Committee consists of Mr. Law Chi Hung, Mr. Shum Hau Tak and Mr. Pau Chi Hoi. Mr. Law Chi Hung currently serves as the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include:

- reviewing our Company's annual financial statements;

DIRECTORS AND SENIOR MANAGEMENT

- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors; and
- reviewing the effectiveness of our Company’s internal audit activities, internal controls and risk management systems.

Remuneration Committee

Our Company established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code. Our Remuneration Committee consists of Mr. Shum Hau Tak, Mr. Pau Chi Hoi and Mr. CM Ip. Mr. Shum Hau Tak currently serves as the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include:

- making recommendations to our Board on our Company’s policy on executive Director’s remuneration;
- determining, the individual remuneration and benefits package of each of our executive Directors; and
- recommending and monitoring the remuneration of senior management below Board level.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. Our Nomination Committee consists of Mr. Pau Chi Hoi, Mr. Law Chi Hung and Mr. Lau Woon Wing. Mr. Pau Chi Hoi currently serves as the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include:

- assisting our Board in discharging its responsibilities relating to the composition of our Board;
- evaluating the balance of skills, knowledge and experience on our Board;
- evaluating the size, structure and composition of our Board; and
- evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to our Board on such matters.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code.

Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our Group's operations, and Mr. CM Ip's in-depth knowledge and experience in the industry and familiarity with the operations of our Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of our Company and that it is in the best interest of our Group to have Mr. CM Ip taking up both roles. As such, the roles of the chairman and chief executive officer of our Group are not being separated pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules.

Our Directors are aware that upon Listing, we are expected to comply with the Corporate Governance Code. Any deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, allowances, discretionary bonuses and other benefits as well as contributions to retirement benefit schemes. The total compensation paid or payable to our Directors for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 was approximately HK\$1.5 million, HK\$1.9 million, HK\$2.6 million and HK\$1.6 million, respectively. Under the arrangement currently in force, we estimate the total compensation, to be paid or accrued to our Directors for FY2018/19 to be approximately HK\$2.0 million.

The aggregate compensation (including Directors fees, salaries, discretionary bonus, contributions to retirement benefit schemes, pension, allowances and other benefits) paid to our five highest paid individuals during FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 was approximately HK\$3.2 million, HK\$4.2 million, HK\$4.0 million and HK\$3.4 million, respectively.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018. Furthermore, none of our Directors or the five highest paid individuals waived any compensation for the same period.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments has been paid or is payable, in respect of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 by us or any of our subsidiaries to our Directors.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy (the “**Board Diversity Policy**”) on 8 June 2019. The purpose of the Board Diversity Policy is to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and recognise and embrace the benefits of diversity in our Board. Based on the Board Diversity Policy, candidates to our Board will be selected based on a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and education background, or professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to service the Shareholders and other stakeholders going forward.

Our Company values gender diversity and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board. In recognising the importance of gender diversity, our Company is committed to provide career development opportunities for female staff. Further, our Company has confirmed that the Nomination Committee will identify and recommend and our Company will appoint at least two female candidates to our Board as directors of our Company, representing at least a quarter of our Board, within three years from the Listing.

The effective implementation of the Board Diversity Policy requires that our Shareholders are able to judge for themselves whether our Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to our Board through announcements and circulars published prior to general meetings of our Company.

The Nomination Committee will be responsible for implementation, monitoring and periodic review of the Board Diversity Policy to ensure its effectiveness and application. A summary of the Board Diversity Policy and the measurable objectives which our Board has set for implementing the same, and the progress on achieving those objects, will be disclosed in the corporate governance reports of our Company annually upon Listing.

Our Board comprises five members, including two executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including surveying, architecture and accounting and taxation experiences in addition to experiences in the construction industry. Furthermore, the age range of our Board ranges from 35 years old to 52 years old. In addition, none of our Directors are related to one another. After due consideration, our Board believes that based on our existing business model and specific needs, and the background of our Directors, although our Board currently has no female representation, the composition of our Board satisfies the principles under the Board Diversity Policy.

DIRECTORS AND SENIOR MANAGEMENT

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of this scheme are summarised in the paragraph headed “(D) Share Option Scheme” in Appendix V to this prospectus.

The maximum number of Shares which may be issued, upon exercise of all options that may be granted under the Share Option Scheme and any other option scheme involving the issue or grant of options over Shares or other securities by our Company or any of its subsidiaries or invested entity shall not in aggregate exceed 10% of the number of Shares in issue as of the date of Listing; and the Board has been authorised to determine the grant of a right to subscribe for Shares under, and pursuant to the terms of the Share Option Scheme and to determine the grantees, number of options to be granted to each grantee and the terms and conditions of such grants pursuant to the terms of, the Share Option Scheme.

COMPLIANCE ADVISER

We have appointed Grande Capital to be our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of dispatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2021), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from Grande Capital as our compliance adviser in the following circumstances
 - (a) before the publication of any regulator 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;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where our Company intends to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviates from any forecast, estimate or other information in this prospectus;
 - (d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and
- the compliance adviser will serve as a channel of communication with the Stock Exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), each of Mr. CM Ip and Silver Tide Enterprises will together control 75% of the issued Shares of our Company. Silver Tide Enterprises is an investment holding company wholly-owned by Mr. CM Ip. For the purpose of the Listing Rules, Mr. CM Ip and Silver Tide Enterprises are our Controlling Shareholders. As at the Latest Practicable Date, Silver Tide Enterprises has not commenced any substantive business activities. Each of Mr. CM Ip and Silver Tide Enterprises confirms that he or it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Share Offer.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources and working capital to support our daily operations.

During the Track Record Period:

- our Group had certain amounts due from Mr. CM Ip (our Controlling Shareholder) and his associates, details of which are set out in note 28 to the Accountants' Report set out in Appendix I to this prospectus. Furthermore, our Group had certain amounts due to Mr. CM Ip's associates, further details of which are set out in note 28 to the Accountant's Report set out in Appendix I to this prospectus. All such amounts due to and from our Controlling Shareholders and their related company had been settled as at the Latest Practicable Date; and
- one of the banking facilities, the balances of which being HK\$11,219,000 as at 31 December 2018, was secured by (i) personal guarantee given by Mr. CM Ip; and (ii) two properties held by Yuk Ying Development Company Limited. Such banking facilities will be repaid before Listing. The remaining banking facilities was granted by Bank of China (Hong Kong) Limited, the unutilised balances of which being HK\$10,000,000 as at 31 December 2018, was secured by personal guarantees given by Mr. CY Ip, Mrs. Ip and Mr. CM Ip. Further details are set out in note 20 to the Accountants' Report set out in Appendix I to this prospectus. The said personal guarantees will be released by Bank of China (Hong Kong) Limited upon Listing, subject to, among others, the following conditions, that (i) our Company duly executes a corporate guarantee in favour of Bank of China

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(Hong Kong) Limited to cover such banking facilities up to HK\$20 million; (ii) our Company shall maintain a listing status on the Stock Exchange, and cannot be suspended from trading for more than 14 consecutive trading days at any time other than temporary trading halt or suspension pending disclosure of an inside information announcement; and (iii) our Company agrees and undertakes that our consolidated tangible net worth shall at all times be not less than HK\$80 million, and our consolidated total interest bearing borrowing minus cash to consolidated tangible net worth shall not exceed 0.3 times through the life of the banking facilities.

Management independence

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

The Board comprises two executive Directors and three independent non-executive Directors. Although Mr. CM Ip (who is also a director of Silver Tide Enterprises) holds directorship in our Company, we consider that the Board and senior management will function independently from the Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall declare such interests to the Board and abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situations, details of which are set out in the paragraph headed "Corporate governance measures" in this section;
- (c) our three independent non-executive Directors have sufficient and competent knowledge and experience, and will bring independent judgment to the decision-making process of the Board; and
- (d) all our senior management members are independent from our Controlling Shareholders. They have served our Group for a sufficient length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that the Board is capable of managing our Group's business independently from the Controlling Shareholders.

Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. As at the Latest Practicable Date, our Group did not share any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Our Group has also established a set of internal control measures to facilitate the effective operations of our business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their respective close associates and have our independent access to customers and suppliers. Our Directors consider that our Group's operations do not depend on our Controlling Shareholders because (i) there is no competing business between our Group and any of our Controlling Shareholders; and (ii) our Group will not be relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have our Group given any guarantee for the benefit of any of our Controlling Shareholders upon Listing.

On the basis of the above, our Directors believe that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

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.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (each a "**Covenantor**" and collectively, the "**Covenantors**") entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors has, among other things, irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that at any time during the Effective Period (as defined below):

- (a) he/it will not, and will procure any Covenantor and his/its close associates (each a "**Controlled Person**" and collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the "**Controlled Company**") not to, either directly or indirectly (whether, on its own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group, including but not limited to providing formwork works and other construction works in Hong Kong (the “**Restricted Business**”);

- (b) if each of the Covenantors, the Controlled Persons or the Controlled Companies has received, is offered or becomes aware of any project or any new business opportunity relating to the Restricted Business (the “**New Business Opportunity**”), whether directly or indirectly:
- (i) the Covenantors shall promptly in event not later than seven (7) days notify our Company in writing of such New Business Opportunity;
 - (ii) such written notice shall include all information together with any documents possessed by him/it or his/its close associates in respect of the New Business Opportunity to enable our Company to evaluate the merit of the New Business Opportunity and all reasonable assistance as requested by our Company to enable our Company to come to an informed assessment of such New Business Opportunity;
 - (iii) the Covenantors shall use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or the Controlled Persons and/or the Controlled Companies;
 - (iv) upon receipt of the written notice from the Covenantors, the independent non-executive Directors shall consider whether it is in the interest of our Company and the Shareholders as a whole to pursue the New Business Opportunity. For the avoidance of doubt, the Covenantors and/or the Controller Persons and/or the Controlled Companies (other than our Group) will not be entitled to pursue such New Business Opportunity unless the New Business Opportunity is declined by our Group or our Company does not proceed with such New Business Opportunity within thirty (30) business days from the date of the written notice;
 - (v) if our Company has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from the Covenantors, the Covenantors and/or the Controlled Persons and or the Controlled Companies shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vi) if there is any disagreement between the Covenantors and our Company as to whether any New Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Businesses, the matter shall be determined by the independent non-executive Directors whose decision shall be final and binding.

The restrictions which each of the Covenantors have agreed to undertake pursuant to the non-competition undertaking will not apply to the holding of or interests in shares or other securities by any of the Covenantors and/or his/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

- (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (ii) the total number of the shares held by any of the Covenantors and his/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantor and his/its close associates together hold.

The non-competition undertaking will take effect (the “**Effective Period**”) from the date on which dealings in the Shares first commence on the Stock Exchange and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) and/or his/its/their close associates and/or successors ceases to be interested, directly or indirectly, in 30% (or such percentage as may from time to time be specified in the Takeover Code) or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and its Shareholders as a whole. 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;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) 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;
- (iii) the Board is committed to the view that the Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this prospectus;
- (iv) our Company has appointed Grande Capital as the 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 internal controls. Please refer to the paragraph headed “Directors and Senior Management – compliance adviser” in this prospectus for details in relation to the appointment of compliance adviser;
- (v) 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
- (vi) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us 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 other member of our Group:

Name of shareholder	Capacity/Nature of interest	As at the Latest Practicable Date		Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held (Note 1)	Percentage of Shareholding	Number of Shares held (Note 1)	Percentage of shareholding
Silver Tide Enterprises (Note 2)	Beneficial owner	100 (L)	100%	750,000,000 (L)	75%
Mr. CM Ip (Note 2)	Interest in controlled corporation	100 (L)	100%	750,000,000 (L)	75%
Ms. Wong Fong Choi (Note 3)	Interest of spouse	100 (L)	100%	750,000,000 (L)	75%

Notes:

- The letter "L" denotes a long position in the shareholder's interests in the share capital of our Company.
- Silver Tide Enterprises is wholly-owned by Mr. CM Ip. Accordingly, Mr. CM Ip is deemed to be interested in all the Shares held by Silver Tide Enterprises under Part XV of the SFO. Mr. CM Ip is also our executive Director, chief executive officer and chairman of the Board and a Controlling Shareholder.
- Ms. Wong Fong Choi is Mr. CM Ip's spouse and is deemed to be interested in the Shares in which Mr. CM Ip is interested under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required 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.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme will be as follows:

	HK\$
<i>Authorised share capital:</i>	
<u>2,000,000,000</u> Shares of HK\$0.01 each	<u>20,000,000</u>
<i>Shares issued or to be issued, fully paid or credited as fully paid:</i>	
100 Shares in issue	1
749,999,900 Shares to be issued pursuant to the Capitalisation Issue	7,499,999
<u>250,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,500,000</u>
<u>1,000,000,000</u> Shares	<u>10,000,000</u>

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all our 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 our Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 8 June 2019, 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 749,999,900 Shares credited as fully paid at par to Silver Tide Enterprises (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\$7,499,999 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in 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 number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased pursuant to the authority granted to our Directors referred to in the below paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of 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; or
- (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 our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraph headed “(A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 June 2019” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in 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 of not more than 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding our Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme).

SHARE CAPITAL

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 “(A) Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix V 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; or
- (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 our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraphs headed “(A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 June 2019” and “(A) Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix V to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “(D) Share Option Scheme” in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by Shareholders passing a special resolution. For details, please refer to the paragraph headed “2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix IV to this prospectus.

SHARE CAPITAL

Pursuant to the Companies Law and the terms of the Memorandum of Association and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may 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. For details, please refer to the paragraph headed “2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's consolidated financial information as at the end of and for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

Our Group is a subcontractor in the construction industry mainly providing formwork services to both the public and private sectors in Hong Kong. The formwork works undertaken by our Group mainly include (i) traditional formwork using timber and plywood; and (ii) system formwork using aluminium and steel. Upon our customers' request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the following:

Availability of formwork works projects in Hong Kong

The number and availability of formwork works projects in Hong Kong are affected by a variety of factors, including the Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of formwork works projects from both the public and private sectors. Unfavourable changes in these factors may result in a significant decrease in the number of formwork projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong and/or adverse governmental policies on the property markets in Hong Kong may lead to a significant decline in the number of construction projects of buildings in Hong Kong, thereby resulting in a decline in the number of formwork works projects. There is no assurance that the number of formwork works projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of formwork works projects in Hong Kong may materially affect our business volume and therefore our results of operations and financial condition.

FINANCIAL INFORMATION

Accuracy in our estimation of time and costs involved in projects before submitting tenders

Our ability to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability depends on various factors. We determine the tender price by taking into account factors including the estimated number and types of workers required, the methodology and complexity of the project, the availability of our manpower and resources, the completion time requested by customers, any further subcontracting work expected to be necessary, the overall cost in undertaking the job, the past prices offered to the customers, the prevailing market conditions, the specification stated in the tender document and the historical relationship with the customer and the prospect of obtaining future contracts from the customer. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there have not been any material delay in our projects on the part of our Group, and accordingly our Group has not been required to pay liquidated damages in relation to failing to complete the contract works on time.

During the Track Record Period, we recorded aggregate gross loss of approximately HK\$720,000 in one of the projects completed during the Track Record Period. Such project was completed in November 2015 and the loss was mainly due to the additional subcontracting charges, materials and manpower required to complete the construction as a result of unforeseen difficulties raised during the on-site construction. Our Directors consider there is no material adverse impact on our Group's profitability and/or financial position because (i) the aggregate gross loss attributed to such project only amounted to approximately HK\$720,000; and (ii) our Group did not have any other loss-making project for projects completed during the Track Record Period and up to the Latest Practicable Date.

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

Availability and performance of our subcontractors and our ability to complete works on time

We engage third party subcontractors to perform the works under our contracts. Other than any significant increase in the subcontracting costs that may impact on our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of workers arranged by our subcontractors. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims. There is also no assurance that we will always be able to engage suitable subcontractors on commercially acceptable terms as and when required in the course of our business operations.

FINANCIAL INFORMATION

In addition, pursuant to section 43C of the Employment Ordinance, a principal contractor and every superior subcontractor shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. For further details, please refer to the paragraph headed “Regulatory Overview – A. Labour, Health and Safety – Employment Ordinance (Chapter 57 of the Laws of Hong Kong)” in this prospectus. Our operations and hence our financial position may be adversely affected if any of our subcontractors fails to pay its employees.

Collectability and timing of collection of our trade receivables

Our formwork contracts normally require our customers to make progress payments to us from time to time. Once our Group has submitted a payment application, our customer will certify the amount of work done and settle the bill, net of any agreed retention money. However, there is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

BASIS OF PRESENTATION

Please refer to note 2.1 in section II of the Accountants’ Report in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2.4 in section II of the Accountants’ Report in Appendix I to this prospectus.

HKFRS 9 *Financial instruments* and HKFRS 15 *Revenue from contracts with customers* have been adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period. We have assessed the effects of the adoption of HKFRS 9 and HKFRS 15 on our financial statements and identified the following areas that have been affected:

HKFRS 9

Adoption of HKFRS 9 requires the new classification and measurement, and the recognition of impairment for financial assets based on an expected loss model rather than as an incurred loss model. Our Directors consider the impact on our financial position and performance would be insignificant upon adoption of HKFRS 9.

Our Group has applied the simplified approach to provide for impairment for expected credit loss (“ECLs”) prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the

FINANCIAL INFORMATION

ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. With the incorporation of forward-looking information in the ECLs, our management considered that the expected credit loss rate for our Group's trade receivables and contract assets is minimal and therefore no provision for impairment of trade receivables and contract assets is necessary as at 31 March 2016, 2017 and 2018 and 31 December 2018.

For financial assets included in other receivables, balances due from a director and related parties (the "Other Financial Assets"), our Group applied the general approach to provide for impairment for ECLs prescribed by HKFRS 9. None of the Other Financial Assets as at 31 March 2016, 2017 and 2018 and 31 December 2018 were overdue, and all balances were categorised within Stage 1 for the measurement of expected credit losses. An impairment analysis is performed throughout the Track Record Period, which are estimated by applying the probability of default approach with reference to the risks of default of the debtors or comparable companies. Our management considered that the expected credit loss rate for our Group's Other Financial Assets is minimal and therefore no provision for impairment of Other Financial Assets was made as at 31 March 2016, 2017 and 2018 and 31 December 2018.

HKFRS 15

HKFRS 15 requires separate presentation of contract liabilities and contract assets in the consolidated statements of financial position. This has resulted in several reclassifications mainly related to our unsatisfied performance obligations. Should HKAS 11 "Construction Contracts" be applied throughout the Track Record Period, contract liabilities should have been presented as "Amounts due to customers", and contract assets should have been presented as "Amounts due from customers" and "Retention receivables".

For the recognition of contract revenue and contract cost, our Directors consider the impact of the transition from HKAS 11 to HKFRS 15 has resulted in a temporary timing difference in contract profit. From a longitudinal perspective, the temporary discrepancy between recognising contract profit in accordance with HKAS 11 and HKFRS 15 would be eliminated once the construction project is completed. As a result of our Group's early adoption of HKFRS 15, we recorded (i) net additional tax repayable (meaning we have already paid more than the assessable profits under HKFRS 15) for years of assessment prior to the Track Record Period; and (ii) net additional tax provision (meaning utilisation of the overpaid amount prior to the Track Record Period) during the Track Record Period, in which our Directors considered the overall net impact on our Group's tax position and net cash outflows was not significant to the consolidated financial statements of our Group.

Based on our above assessment, we consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

Some of the accounting policies involve judgement, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 3 in section II of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue by reference to completion of the specific transaction assessed on the basis of the work certified up to the end of the reporting period as a percentage of total contract value for each contract.

SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus:

	Year ended 31 March			For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	199,423	378,627	361,873	249,727	300,066
Cost of sales	(171,942)	(349,088)	(308,471)	(210,217)	(254,532)
Gross profit	27,481	29,539	53,402	39,510	45,534
Other income and gains	60	2	107	99	23
Administrative expenses	(5,691)	(6,781)	(8,198)	(6,399)	(19,949)
Other expenses	(39)	-	(8)	(7)	-
Finance costs	(103)	(804)	(591)	(459)	(630)
Profit before tax	21,708	21,956	44,712	32,744	24,978
Income tax expense	(3,636)	(3,597)	(7,490)	(5,542)	(6,133)
Profit and total comprehensive income for the year/period attributable to equity holders of our Company	<u>18,072</u>	<u>18,359</u>	<u>37,222</u>	<u>27,202</u>	<u>18,845</u>

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from undertaking formwork works and other construction works. For detailed breakdowns of our revenue during the Track Record Period by type of services provided and by nature (private or public sector projects), please refer to the paragraphs headed “Business – Overview” and “Business – Our projects” in this prospectus.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

Cost of sales

The table below sets forth a breakdown of our cost of sales during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2017		For the nine months ended 31 December 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Cost of sales										
Subcontracting charges	127,799	74.3	279,229	80.0	255,670	82.9	171,244	81.5	198,369	77.9
Construction materials and consumables	31,499	18.3	44,552	12.8	32,059	10.4	21,107	10.0	45,633	17.9
Rental charges	4,238	2.5	10,322	3.0	5,397	1.7	4,445	2.1	4,458	1.8
Direct staff costs	2,611	1.5	3,587	1.0	3,771	1.2	2,808	1.3	3,399	1.3
Labour arranged by customer	–	–	3,493	1.0	1,653	0.5	–	–	–	–
Transportation	1,574	0.9	1,561	0.4	1,597	0.5	1,241	0.6	1,449	0.6
Other cost of sales	4,221	2.5	6,344	1.8	8,324	2.7	9,372	4.5	1,224	0.5
	<u>171,942</u>	<u>100.0</u>	<u>349,088</u>	<u>100.0</u>	<u>308,471</u>	<u>100.0</u>	<u>210,217</u>	<u>100.0</u>	<u>254,532</u>	<u>100.0</u>

Our cost of sales during the Track Record Period comprised:

- (a) subcontracting charges, which are direct costs for engaging subcontractors for carrying out certain formwork works and other construction works undertaken by us. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profits during the Track Record Period. As a major factor affecting subcontracting charges is, in the opinion of our Directors, labour costs, the hypothetical fluctuation rates are set at 0.3% and 15.3%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wages of workers engaging in the formwork works industry in Hong Kong, respectively, from 2013 to 2018 as

FINANCIAL INFORMATION

shown in the Ipsos Report (see paragraph headed “Industry Overview – Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	-0.3%	-15.3%	0.3%	15.3%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in profit before tax (<i>Note 1</i>)				
FY2015/16	383	19,553	(383)	(19,553)
FY2016/17	838	42,722	(838)	(42,722)
FY2017/18	767	39,118	(767)	(39,118)
For the nine months ended 31 December 2018	595	30,350	(595)	(30,350)
Increase/(decrease) in profit after tax (<i>Note 2</i>)				
FY2015/16	320	16,327	(320)	(16,327)
FY2016/17	700	35,673	(700)	(35,673)
FY2017/18	640	32,664	(640)	(32,664)
For the nine months ended 31 December 2018	497	25,342	(497)	(25,342)

Notes:

- Our profit before tax was approximately HK\$21,708,000, approximately HK\$21,956,000, approximately HK\$44,712,000 and approximately HK\$24,978,000 for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 respectively.
- Our profit after tax was approximately HK\$18,072,000, approximately HK\$18,359,000, approximately HK\$37,222,000 and approximately HK\$18,845,000 for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 respectively.

FINANCIAL INFORMATION

- (b) construction materials and consumables, which represented costs for purchasing construction materials and consumables required for performing formwork works and other construction works such as timber, plywood, aluminium formworks, steel formworks and ironmongery. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our construction materials and consumables costs on our profits during the Track Record Period. The hypothetical fluctuation rates are set at -1.0% and 4.1%, which correspond to the approximate CAGR in the price of aluminium and in the price of sawn hardwood, respectively, from 2013 to 2018 as shown in the Ipsos Report (see the paragraph headed “Industry Overview – Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in materials costs	-1.0%	-4.1%	1.0%	4.1%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in profit before tax (<i>Note 1</i>)				
FY2015/16	315	1,291	(315)	(1,291)
FY2016/17	446	1,827	(446)	(1,827)
FY2017/18	321	1,314	(321)	(1,314)
For the nine months ended 31 December 2018	456	1,871	(456)	(1,871)
Increase/(decrease) in profit after tax (<i>Note 2</i>)				
FY2015/16	263	1,078	(263)	(1,078)
FY2016/17	372	1,526	(372)	(1,526)
FY2017/18	268	1,097	(268)	(1,097)
For the nine months ended 31 December 2018	381	1,562	(381)	(1,562)

Notes:

- Our profit before tax was approximately HK\$21,708,000, approximately HK\$21,956,000, approximately HK\$44,712,000 and approximately HK\$24,978,000 for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 respectively.
 - Our profit after tax was approximately HK\$18,072,000, approximately HK\$18,359,000, approximately HK\$37,222,000 and approximately HK\$18,845,000 for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 respectively.
- (c) rental charges, which mainly consisted of costs in relation to rental of metal scaffold equipment and other equipment necessary for carrying out our construction works from external equipment rental service providers;
- (d) direct staff cost, which were salaries and benefits provided to our staff who were involved in carrying out our formwork works and other construction works. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our staff costs (in respect of our staff who are involved in carrying out our

FINANCIAL INFORMATION

formwork works and other construction works) on our profits during the Track Record Period. The hypothetical fluctuation rates are set at 0.3% and 15.3%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wages of workers engaging in the formwork works industry in Hong Kong, respectively, from 2013 to 2018 as shown in the Ipsos Report (see paragraph headed “Industry Overview – Price trend of major cost components” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in staff costs (in respect of staff who are involved in carrying out our formwork works and other construction works)	-0.3%	-15.3%	0.3%	15.3%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in profit before tax (<i>Note 1</i>)				
FY2015/16	8	399	(8)	(399)
FY2016/17	11	549	(11)	(549)
FY2017/18	11	577	(11)	(577)
For the nine months ended 31 December 2018	10	520	(10)	(520)
Increase/(decrease) in profit after tax (<i>Note 2</i>)				
FY2015/16	7	333	(7)	(333)
FY2016/17	9	458	(9)	(458)
FY2017/18	9	482	(9)	(482)
For the nine months ended 31 December 2018	8	434	(8)	(434)

Notes:

1. Our profit before tax was approximately HK\$21,708,000, approximately HK\$21,956,000, approximately HK\$44,712,000 and approximately HK\$24,978,000 for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 respectively.
 2. Our profit after tax was approximately HK\$18,072,000, approximately HK\$18,359,000, approximately HK\$37,222,000 and approximately HK\$18,845,000 for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 respectively.
- (e) labour arranged by customer, which represented costs in relation to part of our works performed by workers arranged by Customer C mainly due to the tight schedule of the Hong Kong Children’s Hospital project;
- (f) transportation, which included costs for transportation of construction materials; and

FINANCIAL INFORMATION

- (g) other cost of sales, which included costs in relation to resources arranged by our customers to perform rectification works and various miscellaneous expenses such as repair and maintenance and sundry expenses.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our direct costs.

Other income and gains

The table below sets forth a breakdown of our other income and net gains during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1	2	12	10	12
Government grants	-	-	88	88	-
Others	<u>59</u>	<u>-</u>	<u>7</u>	<u>1</u>	<u>11</u>
	<u>60</u>	<u>2</u>	<u>107</u>	<u>99</u>	<u>23</u>

Our other income and net gains during the Track Record Period mainly comprised:

- (a) bank interest income, which was derived as a result of cash deposited at our banks;
- (b) government grants, which mainly included subsidies received from the Transport Department for the disposal of a diesel powered motor vehicle; and
- (c) others, which mainly included income from sale of scrap materials and adjustment from unrepresented cheques.

FINANCIAL INFORMATION

Administrative expenses

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		For the nine months ended 31 December 2017		For the nine months ended 31 December 2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Auditors' remuneration	50	0.9	50	0.7	50	0.6	38	0.6	38	0.2
Depreciation	159	2.8	152	2.2	264	3.2	109	1.7	226	1.1
Legal and professional fees	566	9.9	-	-	863	10.5	861	13.5	185	0.9
Listing expenses	-	-	-	-	-	-	-	-	12,865	64.5
Motor vehicles expenses	164	2.9	215	3.2	245	3.0	184	2.9	196	1.0
Operating lease rental	262	4.6	295	4.4	298	3.6	221	3.4	236	1.2
Staff costs (including directors' remuneration)	4,211	74.0	5,894	86.9	6,170	75.3	4,734	74.0	5,359	26.9
Other expenses	279	4.9	175	2.6	308	3.8	252	3.9	844	4.2
	<u>5,691</u>	<u>100.0</u>	<u>6,781</u>	<u>100.0</u>	<u>8,198</u>	<u>100.0</u>	<u>6,399</u>	<u>100.0</u>	<u>19,949</u>	<u>100.0</u>

Our administrative expenses during the Track Record Period comprised:

- (a) auditors' remuneration, which represented fees to our auditors;
- (b) depreciation, which included depreciation of furniture, fixtures and office equipment, tools and equipment, motor vehicles and computer equipment;
- (c) legal and professional fees, which mainly included fees for accounting review services;
- (d) listing expenses, which represent expenses in relation to the Listing;
- (e) motor vehicle expenses, which represented costs in relation to the use of our motor vehicles;
- (f) operating lease rental, which represented rental expenses for our head office paid to a related party during FY2015/16, details of which are disclosed in the paragraph headed "Related party transactions" in this section below, and an Independent Third Party during FY2016/17, FY2017/18 and the nine months ended 31 December 2018;
- (g) staff costs (including directors' remuneration), which included salaries and benefits provided to our Directors and our administrative and back office staff; and
- (h) other expenses, which mainly included expenses incurred for computer parts, entertainment, travelling, printing, stationery and utilities.

FINANCIAL INFORMATION

Finance costs

Our finance costs during the Track Record Period represented interest expenses on finance lease and bank loans, details of which are disclosed in the paragraph headed “Indebtedness” in this section.

Income tax expense

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period except for the nine months ended 31 December 2018, the two-tiered profits tax rates regime will be applicable to Hop Fat Yuk Ying for its annual reporting period beginning on or after 1 April 2018. The taxation for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>21,708</u>	<u>21,956</u>	<u>44,712</u>	<u>32,744</u>	<u>24,978</u>
Calculated at the statutory tax rate (i.e. 16.5%)	3,582	3,623	7,377	5,403	4,121
Tax reduction for the year/period	(20)	(20)	(30)	–	–
Expenses not deductible for tax	82	1	146	138	2,175
Tax effect of two-tiered profits tax rates regime	–	–	–	–	(165)
Others	<u>(8)</u>	<u>(7)</u>	<u>(3)</u>	<u>1</u>	<u>2</u>
Income tax expense	<u><u>3,636</u></u>	<u><u>3,597</u></u>	<u><u>7,490</u></u>	<u><u>5,542</u></u>	<u><u>6,133</u></u>

FINANCIAL INFORMATION

During the Track Record Period, our effective tax rates (calculated as income tax expense for the year/period divided by profit before taxation) were as follows:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
Effective tax rate	16.7%	16.4%	16.8%	16.9%	24.6%

Difference between recorded tax expense of Hop Fat Yuk Ying and actual payments during the two years ended 31 March 2015

Background

As mentioned in the paragraph headed “History, Reorganisation and Corporate Structure – Listing application of Yuk Sing Engineering Holdings Limited in 2016” of this prospectus, Hop Fat Yuk Ying was one of the operating subsidiaries involved in the YS Listing Application, and in the draft prospectus of Yuk Sing it was disclosed that there was a difference (the “**Difference**”) between the recorded tax expenses of Hop Fat Yuk Ying and actual payments during the two years ended 31 March 2015.

Circumstances leading to the significant differences between the recorded tax expenses and actual tax payments

To the best knowledge of our Directors, the Difference was mainly attributable to different accounting estimations audited by an auditor (the “**1st Statutory Auditor**”) engaged by Hop Fat Yuk Ying to prepare its audited financial statements for the year ended 31 March 2013 (“**FY2012/13**”) and the year ended 31 March 2014 (“**FY2013/14**”), an auditor (the “**2nd Statutory Auditor**”, together with the 1st Statutory Auditor, the “**Statutory Auditors**”) engaged by Hop Fat Yuk Ying to prepare its audited financial statements for the year ended 31 March 2015 (“**FY2014/15**”) and FY2015/16 and the reporting accountant engaged for the purpose of the YS Listing Application (the “**YS Reporting Accountants**”).

According to the section 8.7 of Small and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard, the stage of completion of a contract may be determined in a variety of ways. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

- (a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (“**Method 1**”);
- (b) surveys of work performed (“**Method 2**”); or
- (c) completion of a physical proportion of the contract work.

FINANCIAL INFORMATION

Pursuant to Hong Kong Accounting Standard (“HKAS”) 11, the stage of completion of a construction contract may be determined in a variety of ways, including:

- i. Method 1;
- ii. Method 2; or
- iii. completion of a physical proportion of the contract work.

Year ended	Method applied (audited by the 1st Statutory Auditor)	Method applied (audited by the 2nd Statutory Auditor)	Method applied (audited by the YS Reporting Accountants)
FY2012/13	Method 1 (SME-FRS)	–	N/A
FY2013/14	Method 1 (SME-FRS)	–	Method 2
FY2014/15	–	Method 1 (HKAS11)	Method 2
FY2015/16	–	Method 2 [^]	Method 2

[^] The accumulated profit before tax, which is the same as the YS Reporting Accountants, had been properly reported to the Inland Revenue Department (“IRD”)

For the statutory accounts for each of FY2012/13, FY2013/14 and FY2014/15, the estimated total contract costs and costs incurred to date were used for recognition of contract revenue (i.e. Method 1 above was adopted), the recognition of contract cost was based on the actual costs incurred. For illustration purposes, the following formula was applied for recognition of contract revenue:

$$\text{Contract revenue} = \text{Revised contract sum (note)} \times \frac{\text{Contract costs incurred for work performed to date}}{\text{Estimated total contract costs}}$$

Note: Revised contract sum is the aggregate of initial contract sum plus value of subsequent variation orders (if any)

For the underlying accounts for each of FY2013/14 and FY2014/15 provided to the YS Reporting Accountants, contract revenue and contract costs were recognised by adopting Method 2, i.e. based on the stage of completion of the contract activity certified by the customers. For illustration purposes, the following formula was applied for recognition of contract revenue and contract costs:

$$\text{Contract revenue} = \text{Revised contract sum (note)} \times \text{percentage of construction work done as certified by the customer}$$

Note: Revised contract sum is the aggregate of initial contract sum plus value of subsequent variation orders (if any)

FINANCIAL INFORMATION

Contract costs = Estimated total contract costs x percentage of construction work done
as certified by the customer

Based on the above, the principal judgement used in estimating the percentage of completion of a project under Method 1 was the estimation of total contract costs. On the other hand, the principal judgement used in estimating the percentage of completion of a project under Method 2 was the estimation of percentage of construction work done as certified by the customers. In particular, for the purpose of Method 2, in case where progress certification for the works does not take place as at the reporting year end-date or the payment certificate approved by the customer does not cover up to the end of a reporting period, the revenue recognised from the last progress certification to the end of the reporting period is estimated based on the estimated stage of completion up to the reporting period-end with reference to the next progress certification that takes place subsequent to the reporting period-end.

Owing to the difference in the principal judgements under Method 1 and Method 2, the management's estimates and assumptions provided to the Statutory Auditors and the YS Reporting Accountants were different at the relevant time, and the Statutory Auditors and the YS Reporting Accountants respectively issued an unmodified opinion where the estimates and assumptions provided conform to the relevant accounting policy and principal judgement adopted at the relevant time.

Other than the different accounting estimations audited by the Statutory Auditors and the YS Reporting Accountants, the remaining discrepancies between the accounts audited by the Statutory Auditors and the YS Reporting Accountants for FY2013/14 and FY2014/15 were primarily attributable to the occurrence of future events (e.g. collection of final accounts) after the date of the reports issued by the Statutory Auditors, which the work done certified by the final accounts were different from the original estimations made by the directors. Therefore, the occurrence of future events led to a revision of accounting estimates by our Directors.

In preparation of the YS Listing Application, the YS Reporting Accountants were engaged in February 2016 for issuing the accountants' report for Yuk Sing. The accounting policy and judgement adopted by the management and audited by the YS Reporting Accountants was Method 2 under HKAS 11. In particular, as certain final accounts were not available at the time when the estimations and assumptions were provided to the Statutory Auditors, the YS Reporting Accountants was able to obtain more accurate estimations and assumptions from the YS Directors than the Statutory Auditors as the YS Reporting Accountants were able to make use of those final accounts that were collected after the date of the reports issued by the Statutory Auditors. As a result of the aforesaid, there has been an increase in estimates of revenue of approximately HK\$363,000 for FY2013/14 and a decrease in estimates of revenue of approximately HK\$363,000 for FY2014/15 in the accounts audited by the YS Reporting Accountants as compared to that audited by the Statutory Auditors.

FINANCIAL INFORMATION

Extractions from HKAS 11:

“Contract revenue is measured at the fair value of the consideration received or receivable. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved.”

“When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.”

“In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- (a) total contract revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the contract will flow to the entity;
- (c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
- (d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.”

Hence, “variety of uncertainties” and estimation are involved when adopting HKAS 11 for construction projects not yet completed. As the YS Reporting Accountants were able to look back at the then track record period in the YS Listing Application with hindsight after the reporting date of the Statutory Auditors, figures which incorporated the impact of future events were reported by the YS Reporting Accountants in the YS Listing Application.

Our Directors consider that, and concurred by the Tax Adviser, the difference in accounting policy and the occurrence of future events would only result in a temporary timing difference, and from a longitudinal perspective, all temporary discrepancy in revenue and costs would be eliminated once a construction project is completed. Thus, the difference in profit allocation in different financial years was mainly the result of adoption of different accounting methods under the accounting standard issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the IRD would consider that the difference arose from a change of opinion and is not any sort of taxation irregularity. Indeed, the IRD did not revise the issued assessments under section 70A of the IRO to correct the issued assessments or raise additional assessments under section 60 of the IRO after lodgement of the Previous Reassessment Request.

FINANCIAL INFORMATION

Further details regarding the Previous Reassessment Request

As a result of the Differences, Hop Fat Yuk Ying and its related company, namely, Hop Fat Structural Steel, engaged a tax adviser (“**YS Tax Adviser**”) to opine on the tax implications and liabilities in the YS Listing Application. YS Tax Adviser opined that the tax incident for FY2012/13, FY2013/14 and FY2014/15 appeared to arise from “unintentional and inadvertent accounting treatment”.

Hop Fat Yuk Ying and Hop Fat Structural Steel instructed YS Tax Adviser to file a letter to the IRD dated 7 September 2016 to report such difference (“**Previous Reassessment Request**”). Also, Hop Fat Structural Steel had issued a cheque with the additional tax liabilities together with interest totalling HK\$1,228,966. Out of the HK\$1,228,966 made available to the IRD, HK\$1,290,000 was in relation to the net tax payable of Hop Fat Structural Steel, which was offset by an amount of HK\$61,034 in relation to the net tax repayable of Hop Fat Yuk Ying. The calculation basis of the net tax repayable of Hop Fat Yuk Ying is set out in the table below:

Year of assessment	Income tax expenses of Hop Fat Yuk Ying reported to the IRD <i>HK\$</i>	Income tax expenses in the draft prospectus audited by the YS Reporting Accountants <i>HK\$</i>	Difference <i>HK\$</i>
2012/13	–	N/A*	N/A
2013/14	–	910,051	(910,051)
2014/15	5,321,520	4,289,765	1,031,755
Total overprovided			121,704
Interest element of additional payable for YA2013/14			(60,670)
Net tax repayable			(61,034)

* Not audited by the YS Reporting Accountants

On 17 October 2016, an authorised representative of Hop Fat Yuk Ying and Hop Fat Structural Steel had called the assistant assessor of the IRD to discuss the case. The assistant assessor expressed that the case was unlikely be regarded as an error and sections 60 (power of an assessor to raise additional assessment) and 70A (power of an assessor to correct errors) were not applicable to the case.

On 18 October 2016, Hop Fat Yuk Ying and Hop Fat Structural Steel submitted a termination of the Previous Reassessment Request to the IRD on the ground that the difference is timing difference and there is no error noted. The IRD had subsequently refunded HK\$1,228,966 to HFSS. Our Directors confirmed that the IRD had not taken any follow-up action with the Differences and the Previous Reassessment Request after the termination of the same.

FINANCIAL INFORMATION

As advised by the Tax Adviser, the decision made by the IRD in the refund of HK\$1,228,966 ought to be final and conclusive because there was no error leading to a refund of tax or additional tax liability resulting from the Differences and the Previous Reassessment Request, which is consistent with the assistant assessor's expression that "the case was unlikely be regarded as an error and sections 60 (power of an assessor to raise additional assessment) and 70A (power of an assessor to correct errors) were not applicable to the case".

As advised by the Tax Adviser, the Differences and the Previous Reassessment Request do not constitute any non-compliance of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). As advised by the Tax Adviser and concurred by the Sole Sponsor, in the absence of non-compliance arising from the Differences and the Previous Reassessment Request, there is very little concern as to competence or integrity of the directors of Yuk Sing and their suitability to act as directors of a listed company.

Loss over-allowed by IRD in the year of assessment 2014/15

Background

The assessable profits of Hop Fat Yuk Ying for the year of assessment 2014/15 was inadvertently understated by HK\$5,379,133 in the 2014/15 notice of assessment (the "Error") when compared to the 2014/15 profits tax computation submitted by Hop Fat Yuk Ying to the IRD dated 16 December 2015. Accordingly, the IRD over-allowed the loss and undercharged a tax of HK\$887,557 (i.e. HK\$5,379,133 x 16.5%) due to the above understatement. Hop Fat Yuk Ying has notified the IRD of Error in the Previous Reassessment Request dated 7 September 2016.

The error of the loss over-allowed by IRD was owing to the statement of profit on item 1.1 of Part 1 of the 2014/15 profits tax return submitted by Hop Fat Yuk Ying on 16 December 2015 in that the profit stated thereon should be the profit before loss brought forward from year of assessment 2013/14 but the stated profit was the profit after the loss so brought forward. Yet, the amount of tax payable by Hop Fat Yuk Ying was correctly stated under item 2.1 of the same part 2 of the same 2014/15 profits tax return. Further, in the profits tax computation attached with the 2014/15 profits tax return so submitted, the correct amount of profit was offered for assessment and correct amount of profits tax payable was also so stated therein.

FINANCIAL INFORMATION

The reassessment request in 2018

As there has been no response from the IRD regarding the Error since the first notification to the IRD on 7 September 2016, the tax representative of Hop Fat Yuk Ying submitted a letter to the IRD to notify the IRD of the Error again on 27 September 2018. A cheque was enclosed in the letter to the IRD to cover the payment of the profits tax payable in the amount of HK\$887,557. In addition, another cheque with HK\$137,572, which is calculated as profits tax payable of HK\$887,557 at 5% times 10% (that is, HK\$887,557 x 1.05 x 1.10 – HK\$887,557) is also enclosed in the letter to the IRD as payment of surcharge on late payment of profits tax HK\$887,557. The calculation is set out below:

	<i>HK\$</i>
A. Tax amount in delay per above	<u>887,557</u>
B. Surcharge elements (5% to the additional tax payable) (i.e. A x 0.05)	44,378
C. Surcharge elements (10% to the additional tax payable and surcharge) (i.e. (A+B) x 0.1)	<u>93,194</u>
	<u>137,572</u>
Total tax and proposed surcharge liabilities	<u><u>1,025,129</u></u>

View of the Tax Adviser

According to section 82A of the IRO, the IRD may assess additional tax of an amount not exceeding treble the undercharged amount if one makes an incorrect return by omitting or understating relevant information. In the event that the IRD will assess additional tax under section 82A of the IRO in respect of the Error, the amount of additional tax likely to be assessed will be in the range between 5% and 30% of the undercharged amount, that is, HK\$44,378, which is 5% of HK\$887,557 and HK\$266,267, which is 30% of HK\$887,557, according to the penalty policy of the IRD.

As advised by the Tax Adviser, the Error was an oversight or would be accepted by IRD as an oversight. As such, the likelihood that the IRD will impose additional tax under section 82A of the IRO is small or slim. In the event that the IRD assesses additional tax under section 82A of the IRO, Hop Fat Yuk Ying could submit a defence of reasonable excuse in view of the facts of declaration of correct amount of tax payable in item 2.1 of Part 2 of the 2014/15 profits tax return, correct computation of assessable profits and tax payable in the profits tax computation submitted with the 2014/15 profits tax return, notifications of the Error to the IRD on 7 September 2016 and 27 September 2018. As a matter of law, a profits tax computation is an integral part of a tax return. As such, the IRD will likely accept these as reasonable excuses.

According to section 80(2)(a) of the IRO, any person who without reasonable excuse makes an incorrect return by omitting or understating relevant information commits an offence and is liable on conviction to a fine at level 3 and a further fine of treble the

FINANCIAL INFORMATION

undercharged amount. In the event that the IRD institutes any prosecution against Hop Fat Yuk Ying under section 80(2) of the IRO, a compound penalty may be offered to the IRD under section 80(5) of the IRO for the settlement of the prosecution.

As advised by the Tax Adviser, the chance of any prosecution under section 80(2) of the IRO is small or slim. This is because an offence requires an intention, whereas in this case the correct figure of profits before loss brought from 2013/14 was stated in the profits tax computation which is part of the return. It follows that the important element of intention is absent for the alleged offence; or alternatively, an offence under section 80(2) of the IRO is highly doubtful in this case. Therefore, the chance for Hop Fat Yuk Ying to be required to offer a compound penalty for settlement of the Error is small or slim.

As advised by the Tax Adviser, the IRD may accept the two cheques submitted on 27 September 2018 in settlement of the Error. In such a case, the total tax (HK\$887,557) and surcharge (HK\$137,572) liabilities of Hop Fat Yuk Ying would be HK\$1,025,129.

Update on the Current Reassessment Request

By a letter from the IRD dated 16 October 2018, the IRD issued an additional assessment demanding final tax for 2014/15 of the amount HK\$887,557 (i.e. being the tax amount in delay). Subsequently, the amount HK\$887,577 was paid and Hop Fat Yuk Ying received a payment voucher indicating that the IRD has received the amount HK\$887,557 on 1 November 2018. As of the Latest Practicable Date, we have not received any update from the IRD. As advised by the Tax Adviser, Hop Fat Yuk Ying's potential liability as a result of the loss over-allowed incident is HK\$137,572.

By a letter from the IRD dated 25 October 2018, the IRD requested further information including (i) Hop Fat Yuk Ying's restated balance sheet(s), auditor's report(s) and detailed profit and loss account(s) for the year of assessments from 2014/15 to 2016/17; (ii) the adjustments and the entries made in respect of the early adoption of HKFRS 15 to replace HKAS 11; and (iii) the reconciliation between the adjustments made and the restated accounts. On 29 November 2018, the tax representative of Hop Fat Yuk Ying submitted another letter to the IRD providing the requested information. As of the Latest Practicable Date, we have not received any reply from the IRD. Nevertheless, as advised by the Tax Adviser, since the Current Reassessment Request under section 70A of IRO is unlikely to be accepted by the IRD for revision of assessments for the years of assessment 2012/13 to 2016/17, the chance of revision of the profits tax assessments for the same five years is small or slim. Following from the above, as no revision of the profits tax assessments for the years of assessment 2012/13 to 2016/17 is likely to occur, the chance of liability (other than that in relation to the loss over-allowed) arising from the Current Reassessment Request is small or slim.

FINANCIAL INFORMATION

Enhanced internal control measures in response to the tax incidents

In response to the tax incidents, the following measures to enhance internal controls have been adopted:

- Our financial controller will be responsible to administer and oversee the filing of the tax return.
- To strengthen segregation of duties, our accounting staff will be responsible to prepare the tax computation and fill in the tax return as appropriate, after which both the tax computation and the tax return would be reviewed by our financial controller. After being approved by our financial controller, both documents would be further submitted to our executive Directors for their final review and signature to be submitted to the IRD.
- All the submitted tax returns and the supporting tax computation would be filed into a tax register for future references.
- We will continue to engage a tax representative to assist in filing the tax return to ensure accuracy of the figures on the tax returns filed.
- Written policies detailing the relevant accounting standards and procedures in respect of the recognition of contract revenue from construction contracts should be incorporated into the internal control manual.
- Our financial controller will be responsible to oversee financial reporting of our Group. Our financial controller will review the financial statements prepared by the accounting team, which will then be further reviewed and approved by our Board.
- Our Board and our financial controller will be responsible to monitor updates on accounting standards and assess their impact, in particular tax implications, to our Group's financial reporting.
- When necessary, our Group will consider sponsoring accounting staff to participate in training organised by accounting professionals to strengthen their knowledge over the application of accounting policies.
- Our project team will discuss with representatives of our customers from time to time to reduce any discrepancy on understanding of work done amount. Towards the completion stage of our projects, our project team will discuss with the representatives of our customers in relation to resources arranged by such customers to perform rectification works (if any) in order to form a more accurate estimation of the final account before collection of the same. Our project manager will then inform our accounting department of any update on the work done amount and cost estimation for preparation of our management accounts.

FINANCIAL INFORMATION

View of our Directors and the Sole Sponsor

Based on the advice from the Tax Adviser and that (i) the Error was an inadvertent oversight; (ii) the amount of tax payable by Hop Fat Yuk Ying was correctly stated under item 2.1 of the same part 2 of the same 2014/15 profits tax return; (iii) correct amounts of assessable profit and tax payable were stated in the profits tax computation which forms an integral part of a tax return; (iv) notifications were submitted to the IRD on 7 September 2016 and 27 September 2018; (v) the IRD received the amount of HK\$887,557 (i.e. being the tax amount in delay) from Hop Fat Yuk Ying on 1 November 2018; (vi) Hop Fat Yuk Ying's potential liability as a result of the loss over-allowed incident is HK\$137,572; (vii) the chance of liability (other than that in relation to the loss over-allowed) arising from the Current Reassessment Request is small or slim; and (viii) our Group enhanced our internal control measures in response to the tax incidents, our Directors are of the view, and the Sole Sponsor concurs, that the Error would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules, and would not cause any material adverse impact on the financial position of our Group.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 31 December 2018 compared with nine months ended 31 December 2017

Revenue

Our revenue increased from approximately HK\$249.7 million for the nine months ended 31 December 2017 to approximately HK\$300.1 million for the nine months ended 31 December 2018, representing an increase of approximately 20.2%. Such increase was mainly due to:

- (i) we derived substantial revenue for the nine months ended 31 December 2018 of approximately HK\$83.0 million from a project with an initial contract sum of approximately HK\$142.2 million that commenced in April 2018 ("Project A");
- (ii) partially offset by a decrease in revenue derived from projects which contributed revenue for the nine months ended 31 December 2017 and 2018.

Cost of sales

Our cost of sales increased from approximately HK\$210.2 million for the nine months ended 31 December 2017 to approximately HK\$254.5 million for the nine months ended 31 December 2018, representing an increase of approximately 21.1%, which was more than the increase in our revenue of approximately 20.2% (and thus resulted in lower gross profit margin). Our costs of sales mainly include subcontracting charges, construction materials and consumables costs, rental charges and direct staff costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. This is because depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

FINANCIAL INFORMATION

The following is a discussion of the changes in the key components of our cost of sales for the nine months ended 31 December 2018 compared to the nine months ended 31 December 2017:

- (i) Our subcontracting charges increased from approximately HK\$171.2 million for the nine months ended 31 December 2017 to approximately HK\$198.4 million for the nine months ended 31 December 2018, representing an increase of approximately 15.9%. Such increase was primarily due to the increase in amount of works outsourced to subcontractors as a result of the increase in our revenue for the nine months ended 31 December 2018 as discussed above.
- (ii) Our construction materials and consumables costs increased from approximately HK\$21.1 million for the nine months ended 31 December 2017 to approximately HK\$45.6 million for the nine months ended 31 December 2018, representing an increase of approximately 116.1%. Such increase was mainly due to (i) the increase in amount of construction materials and consumables required as a result of the increase in our revenue for the nine months ended 31 December 2018 as discussed above; and (ii) substantial amount of construction materials and consumables of approximately HK\$22.0 million was purchased by our Group in relation to Project A during the nine months ended 31 December 2018 as the project was in the early stages and we normally procure construction materials upfront in the early stages of a project.
- (iii) Our rental charges remained relatively stable at approximately HK\$4.4 million and HK\$4.5 million for the nine months ended 31 December 2017 and 2018, respectively. Despite an increase in revenue for the nine months ended 31 December 2018, rental charges remained relatively stable because we recorded a relatively higher amount of rental charges for a sizeable project with an initial contract sum of approximately HK\$177.0 million (“Project B”). As the revenue derived from Project B for the nine months ended 31 December 2018 was lower than that for the nine months ended 31 December 2017, our rental charges remained relatively stable for the nine months ended 31 December 2018 compared to that for the nine months ended 31 December 2017. Our Directors consider that the demand for metal scaffold equipment of Project B was relatively greater compared to our other projects was mainly because the customer of Project B required us to use a non-standard construction process when undertaking the construction works, and such construction process required different metal scaffold equipment of higher unit rental price and hence a higher rental charges for metal scaffold equipment.
- (iv) Our direct staff costs increased from approximately HK\$2.8 million for the nine months ended 31 December 2017 to approximately HK\$3.4 million for the nine months ended 31 December 2018, representing an increase of approximately 21.4%. Such increase was mainly due to hiring of site supervisors subsequent to 31 December 2017 to cater for our overall business growth.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit and gross profit margin for the nine months ended December 2017 and 2018 respectively were as follows:

	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
Revenue (HK\$'000)	249,727	300,066
Gross profit (HK\$'000)	39,510	45,534
Gross profit margin	15.8%	15.2%

Our gross profit increased from approximately HK\$39.5 million for the nine months ended 31 December 2017 to approximately HK\$45.5 million for the nine months ended 31 December 2018, representing an increase of approximately 15.2%. The increase in our gross profit was mainly due to the increase in our revenue during the nine months ended 31 December 2018 as discussed above. Our gross profit margin decreased from approximately 15.8% for the nine months ended 31 December 2017 to approximately 15.2% for the nine months ended 31 December 2018. Such decrease was mainly because Project B recorded a higher than average gross profit margin for the nine months ended 31 December 2017 and 2018 which led to an overall higher profit margin for the periods, and, as the revenue derived from Project B for the nine months ended 31 December 2018 was lower than that for the nine months ended 31 December 2017, our profit margin for the nine months ended 31 December 2018 was lower than that for the nine months ended 31 December 2017. Our Directors consider that since the customer of Project B required the subcontractor to use a non-standard construction process in carrying out the works, more difficulty and complexity was involved in the project and therefore our Group set a higher price when tendering for such project, hence our Group recorded a relatively higher profit margin for such project.

Other income and gains

Our other income and gains decreased from approximately HK\$99,000 for the nine months ended 31 December 2017 to approximately HK\$23,000 for the nine months ended 31 December 2018. Such decrease was mainly because we did not receive any government grants during the nine months ended 31 December 2018 (2017: approximately HK\$88,000).

Administrative expenses

Our administrative expenses increased from approximately HK\$6.4 million for the nine months ended 31 December 2017 to approximately HK\$20.0 million for the nine months ended 31 December 2018, representing an increase of approximately 212.5%. Such increase was mainly due to the non-recurring listing expenses of approximately HK\$12.9 million incurred for the nine months ended 31 December 2018 (2017: nil).

FINANCIAL INFORMATION

Finance costs

Our finance costs increased from approximately HK\$459,000 for the nine months ended 31 December 2017 to approximately HK\$630,000 for the nine months ended 31 December 2018. Such increase was mainly due to relatively higher amount of interest-bearing bank loans taken out by our Group during the nine months ended 31 December 2018 compared to the nine months ended 31 December 2017.

Income tax expense

Our income tax expenses increased from approximately HK\$5.5 million for the nine months ended 31 December 2017 to approximately HK\$6.1 million for the nine months ended 31 December 2018. Such increase was mainly due to the tax effect of the non-deductible listing expenses incurred during the nine months ended 31 December 2018 despite a lower amount of our profit before tax for the nine months ended 31 December 2018 compared to the nine months ended 31 December 2017.

Profit and total comprehensive income for the period

As a result of the aforesaid and in particular the recognition of listing expenses during the nine months ended 31 December 2018 and the tax effect of the non-deductible listing expenses as discussed above, our profit and total comprehensive income for the period attributable to owners of our Company decreased from approximately HK\$27.2 million for the nine months ended 31 December 2017 to approximately HK\$18.8 million for the nine months ended 31 December 2018, representing a decrease of approximately 30.9%.

FY2017/18 compared with FY2016/17

Revenue

Our revenue decreased from approximately HK\$378.6 million for FY2016/17 to approximately HK\$361.9 million for FY2017/18, representing a decrease of approximately 4.4%. Such decrease, despite an increase in the number of projects with revenue contribution from 15 for FY2016/17 to 24 for FY2017/18, was mainly due to the following:

- (i) We derived a lower amount of recognised revenue from the Hong Kong Children's Hospital project which was due to our actual works progress as certified by the customer. Such project was substantially completed during FY2016/17 and only contributed revenue of approximately HK\$5.6 million during FY2017/18 (FY2016/17: approximately HK\$169.3 million).
- (ii) 10 new projects commenced in FY2017/18 and several of these projects were at their initial start-up stage resulting in lesser actual work done during FY2017/18. As such, the recognised revenue from these new projects could only partially offset the decrease in revenue derived from projects brought over from FY2016/17 as discussed in (i) above.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales decreased from approximately HK\$349.1 million for FY2016/17 to approximately HK\$308.5 million for FY2017/18, representing a decrease of approximately 11.6%, which was more than the decrease in our revenue of approximately 4.4% (and thus resulted in higher gross profit margin). Our cost of sales mainly include subcontracting charges, construction materials and consumables costs, rental charges and direct staff costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. This is because depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

The following is a discussion of the changes in the key components of our cost of sales in FY2017/18 compared to FY2016/17:

- (i) Our subcontracting charges decreased from approximately HK\$279.2 million for FY2016/17 to approximately HK\$255.7 million for FY2017/18, representing a decrease of approximately 8.4%. Such decrease was primarily due to the decrease in amount of works outsourced to subcontractors as a result of the decrease in our revenue for FY2017/18 as discussed above.
- (ii) Our construction materials and consumables costs decreased from approximately HK\$44.6 million for FY2016/17 to approximately HK\$32.1 million for FY2017/18, representing a decrease of approximately 28.0%. Such decrease was mainly due to (i) the decrease in amount of construction materials and consumables required as a result of the decrease in our revenue for FY2017/18 as discussed above; and (ii) construction materials costs of the projects awarded by Customers F and G were borne by the customers resulting in proportionately lower amount of construction materials costs borne by us during FY2017/18.
- (iii) Our rental charges decreased from approximately HK\$10.3 million for FY2016/17 to approximately HK\$5.4 million for FY2017/18, representing a decrease of approximately 47.6%. Our Directors consider that such decrease was mainly because traditional formworks require the use of more metal scaffold equipment and other equipment, and since the proportion of revenue derived from traditional formworks decreased in FY2017/18 as compared to FY2016/17, our demand for rental of metal scaffold equipment and other equipment decreased in FY2017/18.
- (iv) Our direct staff costs increased from approximately HK\$3.6 million for FY2016/17 to approximately HK\$3.8 million for FY2017/18, representing an increase of approximately 5.6%. Such increase was mainly due to the general increase in number of our site supervisors as a result of more projects undertaken by us during FY2017/18.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2016/17 and FY2017/18 respectively were as follows:

	FY2016/17	FY2017/18
Revenue (HK\$'000)	378,627	361,873
Gross profit (HK\$'000)	29,539	53,402
Gross profit margin	7.8%	14.8%

Our gross profit increased from approximately HK\$29.5 million for FY2016/17 to approximately HK\$53.4 million for FY2017/18, representing an increase of approximately 81.0%, while our gross profit margin increased from approximately 7.8% in FY2016/17 to approximately 14.8% in FY2017/18. Despite a decrease in revenue, our gross profit increased primarily because of the increase in gross profit margin for FY2017/18 as compared to that for FY2016/17. The gross profit margin for FY2016/17 was negatively affected by the Hong Kong Children's Hospital project as the profit margin for such project was relatively lower than that of our other projects, mainly because additional costs were incurred as workers needed to work overtime and at night to meet the schedule as requested by Customer C. As the Hong Kong Children's Hospital project was substantially completed during FY2016/17, our Group recorded an increase in gross profit margin for FY2017/18.

Other income and gains

Our other income and gains increased from approximately HK\$2,000 for FY2016/17 to approximately HK\$107,000 for FY2017/18. Such increase was mainly because we received government grants of approximately HK88,000 for FY2017/18 (FY2016/17: nil).

Administrative expenses

Our administrative expenses increased from approximately HK\$6.8 million for FY2016/17 to approximately HK\$8.2 million for FY2017/18, representing an increase of approximately 20.6%. Such increase was primarily due to the recognition of legal and professional fees of approximately HK\$0.9 million during FY2017/18 (FY2016/17: nil).

Finance costs

Although the amount of interest-bearing bank loans increased from approximately HK\$25.3 million as at 31 March 2017 to approximately HK\$33.0 million as at 31 March 2018, our finance costs decreased from approximately HK\$804,000 for FY2016/17 to approximately HK\$591,000 for FY2017/18 because the majority of interest-bearing bank loans as at 31 March 2018 was a revolving loan which was repaid by our Group from time to time during FY2017/18.

FINANCIAL INFORMATION

Income tax expense

Our income tax expenses increased from approximately HK\$3.6 million to approximately HK\$7.5 million, representing an increase of approximately 108.3%. Such increase was mainly due to (i) the increase in our profit before tax from approximately HK\$22.0 million for FY2016/17 to approximately HK\$44.7 million in FY2017/18; and (ii) the tax effect of the non-deductible legal and professional fees incurred during FY2017/18.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our gross profit as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately HK\$18.4 million in FY2016/17 to approximately HK\$37.2 million in FY2017/18, representing an increase of approximately 102.2%.

FY2016/17 compared with FY2015/16

Revenue

Our revenue increased from approximately HK\$199.4 million for FY2015/16 to approximately HK\$378.6 million for FY2016/17, representing an increase of approximately 89.9%. Such increase was mainly attributable to two projects (Hong Kong Children's Hospital project and another project ("Project C") with an initial contract sum of approximately HK\$95.9 million) which commenced in the second half of FY2015/16 with substantial amount of works performed during FY2016/17. The following table set out the revenue derived from such two projects during each of FY2015/16 and FY2016/17:

	FY2015/16	FY2016/17
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Children's Hospital project	40,975	169,340
Project C	<u>12,529</u>	<u>78,373</u>
	<u><u>53,504</u></u>	<u><u>247,713</u></u>

Cost of sales

Our cost of sales increased from approximately HK\$171.9 million for FY2015/16 to approximately HK\$349.1 million for FY2016/17, representing an increase of approximately 103.1%, which was higher than the increase in our revenue of approximately 89.9% (and thus resulted in a lower gross profit margin) primarily as a result of the combined effect of the following:

- (i) Our subcontracting charges increased from approximately HK\$127.8 million for FY2015/16 to approximately HK\$279.2 million for FY2016/17, representing an increase of approximately 118.5%. Such increase was mainly due to (i) the increase in amount of works outsourced to subcontractors as a result of the

FINANCIAL INFORMATION

increase in our revenue for FY2016/17 as discussed above; and (ii) workers needed to work overtime and at night to meet the schedule as requested by Customer C in the Hong Kong Children's Hospital project which led to a more-than-proportionate increase in our subcontracting charges than the increase in our revenue.

- (ii) Our construction materials and consumables costs increased from approximately HK\$31.5 million for FY2015/16 to approximately HK\$44.6 million for FY2016/17, representing an increase of approximately 41.6%. The less-than-proportionate increase in construction materials and consumables costs as compared to the increase in revenue was primarily due to the Tai Po Water Treatment Facilities project (a sizeable project which contributed revenue of approximately HK\$34.7 million and approximately HK\$5.0 million for FY2015/16 and FY2016/17, respectively) which involved other construction works such as reinforcement bar fixing works and concrete placing works. Our Directors considered the materials and consumables costs was relatively higher for such project given the nature of works involved.
- (iii) Our rental charges increased from approximately HK\$4.2 million for FY2015/16 to approximately HK\$10.3 million for FY2016/17, representing an increase of approximately 145.2%. Such increase was mainly due to (i) the increase in amount of works undertaken by our Group as evidenced by the increase in our revenue for FY2016/17 as discussed above; and (ii) the Tai Po Water Treatment Facilities project (a sizeable project which contributed revenue of approximately HK\$34.7 million and approximately HK\$5.0 million for FY2015/16 and FY2016/17, respectively) which involved other construction works such as reinforcement bar fixing works and concrete placing works which overall required less metal scaffold equipment, leading to a more-than-proportionate increase in rental charges than the increase in our revenue for FY2016/17.
- (iv) Our direct staff costs increased from approximately HK\$2.6 million for FY2015/16 to approximately HK\$3.6 million for FY2016/17, representing an increase of approximately 38.5%. Such increase was mainly due to the general increase in the number of our project management staff during FY2016/17.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2015/16 and FY2016/17 respectively were as follows:

	FY2015/16	FY2016/17
Revenue (<i>HK\$'000</i>)	199,423	378,627
Gross profit (<i>HK\$'000</i>)	27,481	29,539
Gross profit margin	13.8%	7.8%

FINANCIAL INFORMATION

Our gross profit increased from approximately HK\$27.5 million for FY2015/16 to approximately HK\$29.5 million for FY2016/17, representing an increase of approximately 7.3%, while our gross profit margin decreased from approximately 13.8% for FY2015/16 to approximately 7.8% for FY2016/17. The increase in our gross profit was primarily due to the increase in our revenue as discussed above, partially offset by the decrease in our gross profit margin. We recorded a decrease in our gross profit margin for FY2016/17 mainly because it was negatively affected by the Hong Kong Children's Hospital project which was discussed in this section above.

Other income and gains

Our other income and gains decreased from approximately HK\$60,000 for FY2015/16 to approximately HK\$2,000 for FY2016/17, representing a decrease of approximately 96.7%. Such decrease was primarily because our Group did not record any income from sale of scrap materials during FY2016/17 (FY2015/16: approximately HK\$59,000).

Administrative expenses

Our administrative expenses increased from approximately HK\$5.7 million for FY2015/16 to approximately HK\$6.8 million for FY2016/17, representing an increase of approximately 19.3%. Such increase was primarily because our staff costs (including directors' remuneration) increased from approximately HK\$4.2 million in FY2015/16 to approximately HK\$5.9 million in FY2016/17 mainly as a result of (i) additional office staff for supporting our business growth; (ii) the increase in directors remuneration for FY2016/17 compared to FY2015/16; and (iii) the general pay rise for office staff during FY2016/17, partially offset by the decrease in legal and professional fees for FY2016/17.

Income tax expense

Our income tax expenses amounted to approximately HK\$3.6 million and HK\$3.6 million for FY2015/16 and FY2016/17, respectively. This was because of the relatively stable amount of profit before tax for FY2015/16 and FY2016/17.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately HK\$18.1 million in FY2015/16 to approximately HK\$18.4 million in FY2016/17, representing an increase of approximately 1.7%.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations, bank loans and overdrafts. Our primary liquidity requirements are to finance our working capital needs and to fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 30 April 2019, we had cash and cash equivalents of approximately HK\$13.1 million. As at 30 April 2019, we had fully utilised our banking facilities of approximately HK\$30.4 million.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows (used in)/ from operating activities	(4,821)	24,897	12,787	4,839	(20,118)
Net cash flows (used in)/from investing activities	(7,884)	(298)	(3,444)	(1,842)	3,663
Net cash flows from/(used in) financing activities	<u>9,535</u>	<u>6,996</u>	<u>10,877</u>	<u>(8,456)</u>	<u>(14,392)</u>
Net (decrease)/ increase in cash and cash equivalents	(3,170)	31,595	20,220	(5,459)	(30,847)
Cash and cash equivalents at beginning of year/period	<u>15,071</u>	<u>11,901</u>	<u>43,496</u>	<u>43,496</u>	<u>63,716</u>
Cash and cash equivalents at end of year/period	<u><u>11,901</u></u>	<u><u>43,496</u></u>	<u><u>63,716</u></u>	<u><u>38,037</u></u>	<u><u>32,869</u></u>

Cash flows from operating activities

Our operating cash inflow is primarily derived from our revenue from the provision of formwork works and other construction works, whereas our operating cash outflow mainly includes payment for subcontracting charges, purchase of construction materials and consumables, rental charges, staff costs as well as other working capital needs. Net cash

FINANCIAL INFORMATION

flows used in/ from operating activities primarily consisted of profit before tax adjusted for depreciation, finance costs, interest income, loss on disposal of items of property, plant and equipment and the effect of changes in working capital such as changes in contract assets, contract liabilities, trade receivables, prepayments, other receivables, other assets, trade and retention payables as well as other payables and accruals.

The following table sets forth a reconciliation of our profit before tax to net cash flows used in/ from operating activities:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	21,708	21,956	44,712	32,744	24,978
Adjustments for:					
Depreciation	159	152	264	109	226
Finance costs	103	804	591	459	630
Interest income	(1)	(2)	(12)	(10)	(12)
Losses on disposal of items of property, plant and equipment	<u>39</u>	<u>-</u>	<u>7</u>	<u>7</u>	<u>-</u>
Operating cash flows before movements in working capital	22,008	22,910	45,562	33,309	25,822
Increase in contract assets	(3,338)	(10,953)	(35,159)	(44,146)	(5,713)
Increase/(decrease) in contract liabilities	-	4,458	8,463	11,680	(12,921)
(Increase)/decrease in trade receivables	(25,146)	9,562	(14,220)	(7,459)	(9,794)
Decrease/(increase) in prepayments, other receivables and other assets	100	(138)	(93)	176	(3,774)
Increase/(decrease) in trade and retention payables	15,574	(435)	16,437	12,602	(11,319)
Decrease in other payables and accruals	<u>(4,027)</u>	<u>(826)</u>	<u>(3,156)</u>	<u>(1,333)</u>	<u>(506)</u>
Cash generated from/(used in) operations	<u>5,171</u>	<u>24,578</u>	<u>17,834</u>	<u>4,829</u>	<u>(18,205)</u>
Bank interest received	1	2	12	10	12
Income tax (paid)/refunded	<u>(9,993)</u>	<u>317</u>	<u>(5,059)</u>	<u>-</u>	<u>(1,925)</u>
Net cash (used in)/from operating activities	<u><u>(4,821)</u></u>	<u><u>24,897</u></u>	<u><u>12,787</u></u>	<u><u>4,839</u></u>	<u><u>(20,118)</u></u>

FINANCIAL INFORMATION

Net cash inflow from operating activities for FY2016/17, FY2017/18 and the nine months ended 31 December 2017

For FY2016/17, we recorded profit before tax of approximately HK\$22.0 million and net cash from operating activities of approximately HK\$24.9 million, which was mainly resulted from (i) the decrease in trade receivables of approximately HK\$9.6 million; and (ii) the increase in contract liabilities of approximately HK\$4.5 million, and partially offset by the increase in contract assets (which consists of retention receivables and unbilled revenue) of approximately HK\$11.0 million. The decrease in trade receivables of approximately HK\$9.6 million during FY2016/17 was mainly due to the decrease in trade receivables recorded by the Hong Kong Children's Hospital project and Project C (the two largest projects in terms of revenue recognition for FY2016/17) as at 31 March 2017 compared to that as at 31 March 2016 as the majority of works for such projects have been performed during the calendar year 2016 and hence the amount of works performed for such projects in the first quarter of the calendar year 2017 was relatively lower. The increase in contract liabilities of approximately HK\$4.5 million during FY2016/17 was because we recorded cash inflow from a project which we have received payment before we perform our service for such project during the period. The increase in contract assets of approximately HK\$11.0 million was primarily due to the increase in our retention receivables of approximately HK\$10.5 million, which in turn was mainly because we recorded an increase in retention receivables of approximately HK\$7.4 million and HK\$3.5 million during FY2016/17 for the Hong Kong Children's Hospital project and Project C, respectively.

For FY2017/18, we recorded profit before tax of approximately HK\$44.7 million and net cash from operating activities of approximately HK\$12.8 million, which was mainly resulted from (i) the increase in contract assets (which consists of retention receivables and unbilled revenue) of approximately HK\$35.2 million; and (ii) the increase in trade receivables of approximately HK\$14.2 million, and partially offset by the increase in trade and retention payables of approximately HK\$16.4 million. The increase in retention receivables of approximately HK\$20.3 million during FY2017/18 was primarily attributable to the increase in retention receivables withheld for projects brought forward from the prior reporting period which had not completed as at 31 March 2018 and new projects that commenced during FY2017/18. The increase in unbilled revenue of approximately HK\$14.9 million during FY2017/18 was mainly because our work done performed that had not been certified as at 31 March 2018 were greater than that as at 31 March 2017 for certain projects such as project P20 (project P20 as disclosed in the paragraph headed "Business – Our projects" in this prospectus) which recorded unbilled revenue of approximately HK\$11.6 million as at 31 March 2018 (as at 31 March 2017: nil). The increase in trade receivables of approximately HK\$14.2 million for FY2017/18 was mainly due to the amount of works performed in the first quarter of the calendar year 2018 were greater than that in the first quarter of the calendar year 2017 for certain projects such as projects P18, P21 and P24 (projects P18, P21 and P24 as disclosed in the paragraph headed "Business – Our projects" in this prospectus) which collectively recorded trade receivables of approximately HK\$24.6 million as at 31 March 2018. The increase in trade and retention payables of approximately HK\$16.4 million for FY2017/18 was mainly due to the increase in trade payables of approximately HK\$16.9 million during the year, which in turn was mainly due to reasons similar to that for the increase in trade receivables during FY2017/18 as discussed above.

FINANCIAL INFORMATION

For the nine months ended 31 December 2017, we recorded profit before tax of approximately HK\$32.7 million and net cash from operating activities of approximately HK\$4.8 million, which was mainly resulted from (i) increase in contract assets of approximately HK\$44.1 million; and (ii) the increase in trade receivables of approximately HK\$7.5 million, and partially offset by the increase in trade and retention payables of approximately HK\$12.6 million. The increase in retention receivables and the increase in trade receivables and trade payables during the nine months ended 31 December 2017 were due to reasons similar to that for the increase in retention receivables and trade receivables and trade payables for FY2017/18 as discussed above. The increase in unbilled revenue of approximately HK\$31.9 million during the nine months ended 31 December 2017 was mainly because our work done performed that had not been certified as at 31 December 2017 were greater than that as at 31 March 2017 for certain projects such as projects P16 and P18 (projects P16 and P18 as disclosed in the paragraph headed “Business – Our projects” in this prospectus).

Net cash outflow from operating activities for FY2015/16 and the nine months ended 31 December 2018 and measures to improve our cash flow position

For FY2015/16, we recorded profit before tax of approximately HK\$21.7 million and net cash used in operating activities of approximately HK\$4.8 million, which was mainly resulted from the increase in trade receivables of approximately HK\$25.1 million, and partially offset by (i) the increase in trade and retention payables of approximately HK\$15.6 million; and (ii) income tax paid of approximately HK\$10.0 million. The net cash used in operating activities was partly due to the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers. We generally grant a credit period of up to 60 days to our customers while the credit period granted to us by our suppliers is 30 days in general. As a result of the mismatch in credit periods, we settled payments to our suppliers faster than we received payments from our customers (for example, one of our sizeable projects (project P31 as disclosed in the paragraph headed “Business – Our projects” in this prospectus) which commenced in April 2018 recorded trade receivables of approximately HK\$20.2 million as at 31 December 2018 regarding the work done in November 2018 while the corresponding costs had been paid).

For the nine months ended 31 December 2018, we recorded profit before tax of approximately HK\$25.0 million and net cash used in operating activities of approximately HK\$20.1 million, which was mainly resulted from (i) the decrease in contract liabilities of approximately HK\$12.9 million due to the utilisation of contract liabilities which we recorded cash inflows from such contract liabilities in the previous financial years; (ii) the decrease in trade and retention payables of approximately HK\$11.3 million; (iii) the increase in trade receivables of approximately HK\$9.8 million; and (iv) the increase in contract assets of approximately HK\$5.7 million, which was mainly due to the mismatch in credit periods as discussed in the previous paragraph. Our Group would follow up closely with the respective customer on the amount of certified revenue and our work done in order to avoid

FINANCIAL INFORMATION

situations where the amount of certified revenue was greater than our work done. Our Directors consider that the contract liabilities for that project was a one-off incident and we have not recorded contract liabilities for other projects during the Track Record Period.

Our Group has established the following policies with a view to improving our cash flow position in the future:

- (i) our quantity surveyors and purchase staff are responsible for documenting expected cash inflow from customers and cash outflow to suppliers and preparing cashflow plans for each project and submitting the cashflow plans to our finance department on a monthly basis;
- (ii) our finance department, led by the financial controller, will be responsible for reviewing the cashflow plans for all of our projects, and submitting the cashflow plans to our executive Directors for review; and
- (iii) in the event that there is expected net cash outflow for a particular month, we will (a) actively follow up with our customers for payment; (b) negotiate with our suppliers for an extension of credit term, if necessary; and (c) utilise our banking facilities to cover any deterioration in our cash flow position.

Cash flows from investing activities

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayment for purchase of items of property, plant and equipment	–	–	–	–	(369)
Purchases of items of property, plant and equipment	(82)	(216)	(338)	(338)	(1,322)
(Increase)/decrease in an amount due from a director	(6,028)	(1,856)	(3,106)	(1,504)	5,409
(Increase)/decrease in amounts due from related parties	<u>(1,774)</u>	<u>1,774</u>	<u>–</u>	<u>–</u>	<u>(55)</u>
Net cash flows (used in)/from investing activities	<u><u>(7,884)</u></u>	<u><u>(298)</u></u>	<u><u>(3,444)</u></u>	<u><u>(1,842)</u></u>	<u><u>3,663</u></u>

As shown in the table above, our cash inflows from investing activities primarily consist of repayment from related parties, while our cash outflows from investing activities consist of purchases of items of property, plant and equipment, advances from our Group to Mr. CM Ip for his personal use and advances from our Group to related parties.

FINANCIAL INFORMATION

For FY2015/16, we recorded net cash used in investing activities of approximately HK\$7.9 million, which was primarily attributable to the increase in the advances from our Group to Mr. CM Ip and related parties of approximately HK\$7.8 million.

For FY2016/17, we recorded net cash used in investing activities of approximately HK\$0.3 million, which was primarily attributable to the increase in the advances from our Group to Mr. CM Ip of approximately HK\$1.9 million, partially offset by the repayment of amounts due from related parties of approximately HK\$1.8 million.

For FY2017/18, we recorded net cash used in investing activities of approximately HK\$3.4 million, which was primarily attributable to the cash advanced by our Group to Mr. CM Ip of approximately HK\$3.1 million.

For the nine months ended 31 December 2017, we recorded net cash used in investing activities of approximately HK\$1.8 million, which was attributable to purchases of items of property, plant and equipment of approximately HK\$338,000 and cash advanced by our Group to Mr. CM Ip of approximately HK\$1.5 million.

For the nine months ended 31 December 2018, we recorded net cash from investing activities of approximately HK\$3.7 million, which was primarily attributable to the repayment of the amount due from Mr. CM Ip of approximately HK\$5.4 million, partially offset by the cash used in prepayment for purchase of items of property, plant and equipment of approximately HK\$0.4 million and purchase of items of property, plant and equipment of approximately HK\$1.3 million.

Cash flows from financing activities

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2017	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
New bank loans	–	15,638	74,362	54,362	20,000
Interest paid for finance lease	(1)	–	–	–	–
Interest paid for bank loans	(102)	(804)	(591)	(459)	(630)
Repayments of bank loans	(1,182)	(7,861)	(52,313)	(51,718)	(31,800)
Increase/(decrease) in amounts due to related parties	11,009	23	(9,281)	(9,341)	(1,962)
Dividend paid	–	–	(1,300)	(1,300)	–
Repayments of finance lease	(189)	–	–	–	–
Net cash flows from/(used in) financing activities	<u>9,535</u>	<u>6,996</u>	<u>10,877</u>	<u>(8,456)</u>	<u>(14,392)</u>

FINANCIAL INFORMATION

As shown in the table above, our cash inflow from financing activities consist of new bank loans and advance from related parties. Our cash outflow from financing activities primarily includes the repayment of the principal of finance leases and bank loans, the repayment of interest expenses of finance lease and bank loans and the repayment of amounts due to related parties.

For FY2015/16, we recorded net cash flows from financing activities of approximately HK\$9.5 million, which was attributable to the advance from related parties of approximately HK\$11.0 million, partially offset by the repayment of bank loans of approximately HK\$1.2 million.

For FY2016/17, we recorded net cash flows from financing activities of approximately HK\$7.0 million, which was primarily attributable to new bank loans taken out by our Group, partially offset by repayment of bank loans and interest paid for bank loans.

For FY2017/18, we recorded net cash flows from financing activities of approximately HK\$10.9 million, which was primarily attributable to new bank loans taken out by our Group of approximately HK\$74.4 million, partially offset by the repayment of bank loans of approximately HK\$52.3 million and the repayment of amounts due to related parties of approximately HK\$9.3 million.

For the nine months ended 31 December 2017, we recorded net cash used in financing activities of approximately HK\$8.5 million, which was primarily attributable to the repayment of bank loans of approximately HK\$51.7 million and the repayment of the amounts due to related parties of approximately HK\$9.3 million, partially offset by the new bank loans taken out by our Group of approximately HK\$54.4 million.

For the nine months ended 31 December 2018, we recorded net cash used in financing activities of approximately HK\$14.4 million, which was primarily attributable to the repayment of bank loans of approximately HK\$31.8 million and the repayment of amounts due to related parties of approximately HK\$2.0 million, partially offset by new bank loans taken out by our Group of approximately HK\$20.0 million.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

During FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, our Group's capital expenditures have principally consisted of expenditures on furniture, fixtures and office equipment, tools and equipment, motor vehicles and computer equipment. We incurred capital expenditures of approximately HK\$82,000, HK\$216,000, HK\$338,000 and HK\$1.3 million respectively, as set out below:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Furniture, fixtures and office equipment	–	8	–	62
Tools and equipment	82	172	–	1,210
Motor vehicles	–	–	311	–
Computer equipment	–	36	27	50
	<u>82</u>	<u>216</u>	<u>338</u>	<u>1,322</u>

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources, cash generated from our operation, banking facilities and the estimated net proceeds from the Listing, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 30 April 2019 <i>HK\$'000</i>
Current assets					
Contract assets	47,083	58,036	93,195	98,908	95,717
Trade receivables	30,122	20,560	34,780	44,574	66,801
Due from a director	447	2,303	5,409	–	–
Due from related parties	1,774	–	–	55	–
Prepayments, other receivables and other assets	4,047	4,185	4,278	8,052	26,074
Tax recoverable	1,155	–	–	–	–
Cash and cash equivalents	11,901	57,858	63,716	32,869	13,129
	<u>96,529</u>	<u>142,942</u>	<u>201,378</u>	<u>184,458</u>	<u>201,721</u>
Current liabilities					
Contract liabilities	–	4,458	12,921	–	–
Trade and retention payables	22,697	22,262	38,699	27,380	32,691
Due to related parties	11,220	11,243	1,962	–	–
Other payables and accruals	7,896	7,070	3,914	3,408	5,725
Interest-bearing bank loans	3,193	25,332	33,019	21,219	30,411
Tax payables	–	2,759	5,190	9,274	1,259
	<u>45,006</u>	<u>73,124</u>	<u>95,705</u>	<u>61,281</u>	<u>70,086</u>
Net current assets	<u><u>51,523</u></u>	<u><u>69,818</u></u>	<u><u>105,673</u></u>	<u><u>123,177</u></u>	<u><u>131,635</u></u>

As at 31 March 2016, 2017 and 2018, our net current assets amounted to approximately HK\$51.5 million, approximately HK\$69.8 million and approximately HK\$105.7 million, respectively. The increase in our net current assets was mainly due to the increase in our current assets as a result of our overall business growth and our profitable operation during the three years ended 31 March 2018, partially offset by the increase in our current liabilities as a result of, among other things, the increase in our trade and retention payables as a result of our overall business growth and the general increase in our bank loans as we relied more on bank loans to support our business growth.

As at 31 December 2018, our net current assets amounted to approximately HK\$123.2 million, which was higher than our net current assets of approximately HK\$105.7 million as at 31 March 2018. Such increase was mainly because we did not record any contract

FINANCIAL INFORMATION

liabilities as at 31 December 2018 (31 March 2018: approximately HK\$12.9 million) as a result of the satisfaction of our performance obligation under the relevant contract with our customer and our profitable operation during the nine months ended 31 December 2018.

As at 30 April 2019, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK\$131.6 million, which was higher than our net current assets as at 31 December 2018. Such increase was mainly due to our profitable operation during the four months ended 30 April 2019.

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If our Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Our Group's contract assets are analysed as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 December 2018 HK\$'000
Unbilled revenue	24,422	24,848	39,743	35,990
Retention receivables	<u>22,661</u>	<u>33,188</u>	<u>53,452</u>	<u>62,918</u>
Total	<u><u>47,083</u></u>	<u><u>58,036</u></u>	<u><u>93,195</u></u>	<u><u>98,908</u></u>

Retention receivables

In general, pursuant to the relevant contract term, customers are entitled to hold up retention money from progress payments. Retention money is normally 5% to 10% of the value of work done, subject to a maximum limit of up to 10% of the total contract sum. Part of the retention money withheld is normally released upon the execution of the final account or the issuance of the certificate of completion of our contract works while the remaining part of the retention money will be released upon expiry of defects liability period and the completion of all the rectification works to the full satisfaction of the employer of the construction project and the main contractor. As at 31 March 2016, 2017 and 2018 and 31

FINANCIAL INFORMATION

December 2018, our retention receivables amounted to approximately HK\$22.7 million, HK\$33.2 million, HK\$53.5 million and HK\$62.9 million respectively. Such increase was primarily because (i) our Group experienced overall business growth during the Track Record Period; and (ii) there was an increase in the number of our projects with large contract sums which normally require a longer time to complete, resulting in the release of retention money at a later date. Specifically, the increase in retention receivable as at 31 March 2018 and 31 December 2018 was primarily attributable to (i) the increase in retention receivables withheld for projects brought forward from the prior reporting period and new projects that commenced during FY2017/18 and the nine months ended 31 December 2018; and (ii) majority of the retention receivables have not been released, resulting in only approximately HK\$5.7 million and HK\$7.2 million of retention receivables being transferred to trade receivables or settled during FY2017/18 and the nine months ended 31 December 2018 respectively.

Our Group's retention receivables to be settled, based on the execution of the final account, the expiry of the defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, at the end of the reporting period were as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 December 2018 HK\$'000
Within one year	6,728	5,103	25,222	16,771
After one year	<u>15,933</u>	<u>28,085</u>	<u>28,230</u>	<u>46,147</u>
Total	<u>22,661</u>	<u>33,188</u>	<u>53,452</u>	<u>62,918</u>

Unbilled revenue

Our unbilled revenue increased from approximately HK\$24.4 million as at 31 March 2016 to approximately HK\$24.8 million as at 31 March 2017, and further increased to approximately HK\$39.7 million as at 31 March 2018. Our unbilled revenue decreased from approximately HK\$39.7 million as at 31 March 2018 to approximately HK\$36.0 million as at 31 December 2018. Such decrease was mainly due to approximately HK\$33.8 million of unbilled revenue as at 31 March 2018 was transferred to trade receivables during the nine months ended 31 December 2018, which was greater than the addition of unbilled revenue of approximately HK\$30.1 million during the same period. The overall increase in unbilled revenue was mainly due to our business growth over the Track Record Period. In addition, our unbilled revenue was relatively lower as at 31 March 2017, mainly due to the Hong Kong Children's Hospital project and Project C (the two largest projects in terms of revenue recognition for FY2016/17) which the majority of works have been performed during the calendar year 2016, and hence the amount of works performed for such projects that have not been certified as at 31 March 2017 was relatively lower, resulting in a relatively lower amount of unbilled revenue as at 31 March 2017.

FINANCIAL INFORMATION

Subsequent billing and settlement

Our retention receivables amounted to approximately HK\$62.9 million as at 31 December 2018, out of which approximately 9.2% (which amount to approximately HK\$5.8 million) has been transferred to trade receivables and settled up to the Latest Practicable Date.

Our unbilled revenue amounted to approximately HK\$36.0 million as at 31 December 2018. Of the amount of approximately HK\$36.0 million as at 31 December 2018, approximately 74.4% (which amount to approximately HK\$26.8 million) had been subsequently billed up to the Latest Practicable Date. Of such amount of approximately HK\$26.8 million where subsequent billings had taken place, all of which had been subsequently settled by the relevant customers up to the Latest Practicable Date.

Trade receivables

Our trade receivables decreased from approximately HK\$30.1 million as at 31 March 2016 to approximately HK\$20.6 million as at 31 March 2017, but increased to approximately HK\$34.8 million as at 31 March 2018 and approximately HK\$44.6 million as at 31 December 2018. The change in trade receivables was partly attributable to the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us. In addition, our trade receivables was relatively lower as at 31 March 2017, mainly due to the Hong Kong Children's Hospital project and Project C (the two largest projects in terms of revenue recognition for FY2016/17) which the majority of works have been performed during the calendar year 2016, and hence the amount of works performed for such projects in the first quarter of the calendar year 2017 was relatively lower, resulting in a relatively lower amount of trade receivables as at 31 March 2017. Our trade receivables amounted to approximately HK\$44.6 million as at 31 December 2018 and was relatively higher compared to those as at 31 March 2016, 2017 and 2018 because of certain trade receivables were past due but not impaired as at 31 December 2018. The credit period that we granted to our customers is generally within 60 days. However, the amount of trade receivables as at 31 December 2018 with aging of over 60 days amounted to approximately nil, nil, nil and approximately HK\$4.0 million as at 31 March 2016, 2017 and 2018, and 31 December 2018, respectively. For details of subsequent settlement of trade receivables as at 31 December 2018, please refer to the paragraph headed "Ageing analysis and subsequent settlement" in this section below.

FINANCIAL INFORMATION

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018
Trade receivables turnover days (<i>Note</i>)	32.1 days	24.4 days	27.9 days	36.4 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 275 days for the nine months ended 31 December 2018).

The credit period that we granted to our customers is generally within 60 days. Our trade receivables turnover days were approximately 32.1 days for FY2015/16, approximately 24.4 days for FY2016/17, approximately 27.9 days for FY2017/18 and approximately 36.4 days for the nine months ended 31 December 2018. 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.

Ageing analysis and subsequent settlement

The ageing analysis of our trade receivables based on the date of works certified is as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	30,122	20,029	30,437	31,444
31-60 days	–	531	4,343	9,150
61-90 days	–	–	–	3,916
Over 90 days	–	–	–	64
	<u>30,122</u>	<u>20,560</u>	<u>34,780</u>	<u>44,574</u>

FINANCIAL INFORMATION

Up to the Latest Practicable Date, 99.5% of our trade receivables as at 31 December 2018 had been settled:

	Trade receivables as at 31 December 2018	Subsequent settlement up to the Latest Practicable Date	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
0-30 days	31,444	31,266	99.4
31-60 days	9,150	9,150	100.0
61-90 days	3,916	3,916	100.0
Over 90 days	64	–	–
	44,574	44,332	99.5

Concentration

The total trade receivables from the five largest customers at 31 March 2016, 2017 and 2018 and 31 December 2018 represented 100.0%, 95.1%, 53.1% and 77.6% of total trade receivables, respectively, while nil, nil, 35.8% and 45.3% of the total trade receivables were due from the largest customer, respectively. For further information regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the paragraph headed "Business – Customers – Customer concentration" in this prospectus.

Prepayments, other receivables and other assets

Prepayments, other receivables and other assets mainly included advances to injured workers that could be reimbursed from the main contractor and prepayment of listing expenses.

Our prepayments, other receivables and other assets amounted to approximately HK\$4.0 million, approximately HK\$4.2 million and approximately HK\$4.3 million as at 31 March 2016, 2017 and 2018, respectively, which remained relatively stable during the three years ended 31 March 2018.

Our prepayments, other receivables and other assets increased from approximately HK\$4.3 million as at 31 March 2018 to approximately HK\$8.0 million as at 31 December 2018. Such increase was mainly because we recorded prepayment of listing expenses of approximately HK\$3.3 million as at 31 December 2018 (31 March 2018: nil) and prepayment to supplier of approximately HK\$396,000 as at 31 December 2018 (31 March 2018: nil).

Up to the Latest Practicable Date, approximately 17.5% of our prepayments, other receivables and other assets as at 31 December 2018 had been settled.

FINANCIAL INFORMATION

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration is due) from the customer. If a customer pays us before our Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when our Group performs under the contract.

Our contract liabilities increased from nil as at 31 March 2016 to approximately HK\$4.5 million as at 31 March 2017, and further increased to approximately HK\$12.9 million as at 31 March 2018. Our contract liabilities amounted to nil as at 31 December 2018.

Trade and retention payables

Our trade and retention payables as at 31 March 2016, 2017 and 2018 and 31 December 2018 amounted to approximately HK\$22.7 million, approximately HK\$22.3 million, approximately HK\$38.7 million and approximately HK\$27.4 million respectively. The following table sets forth a breakdown of our trade and retention payables:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 December 2018 HK\$'000
Trade payables	19,939	19,727	36,626	25,257
Retention payables	<u>2,758</u>	<u>2,535</u>	<u>2,073</u>	<u>2,123</u>
	<u><u>22,697</u></u>	<u><u>22,262</u></u>	<u><u>38,699</u></u>	<u><u>27,380</u></u>

Trade payables

Our trade payables mainly comprised payables to subcontractors, suppliers of construction materials and consumables as well as rental service providers for metal scaffold equipment.

Our trade payables decreased from approximately HK\$19.9 million as at 31 March 2016 to approximately HK\$19.7 million as at 31 March 2017, but increased to approximately HK\$36.6 million as at 31 March 2018. The change in trade payables was partly attributable to the difference in credit periods granted by different suppliers. In particular, our trade payables was relatively lower as at 31 March 2017, which was mainly due to reasons similar to that for the relatively lower amount of trade receivables as discussed in this section above.

FINANCIAL INFORMATION

Our trade payables decreased from approximately HK\$36.6 million as at 31 March 2018 to approximately HK\$25.3 million as at 31 December 2018. Such decrease was mainly due to our Group incurred a lower amount of cost of sales of approximately HK\$26.4 million for the one month ended 31 December 2018 (one month ended 31 March 2018: approximately HK\$34.8 million).

Trade payables turnover days

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018
Trade payables turnover days (<i>Note</i>)	25.9 days	20.7 days	33.3 days	33.4 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 275 days for the nine months ended 31 December 2018).

Our trade payables turnover days decreased from approximately 25.9 days for FY2015/16 to approximately 20.7 days for FY2016/17, and increased to approximately 33.3 days for FY2017/18 and 33.4 days for the nine months ended 31 December 2018, which was primarily affected by difference in timing of payments to our suppliers.

Ageing analysis and subsequent settlement

The following table sets forth an ageing analysis of trade payables based on the invoice dates or the progress payment certificate dates:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 December 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	19,919	19,637	36,545	25,113
31-60 days	20	90	29	114
61-90 days	–	–	38	30
Over 90 days	–	–	14	–
	<u>19,939</u>	<u>19,727</u>	<u>36,626</u>	<u>25,257</u>

Up to the Latest Practicable Date, 100.0% of our trade payables as at 31 December 2018 had been settled.

FINANCIAL INFORMATION

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 March 2018 HK\$'000	As at 31 December 2018 HK\$'000
Accruals	7,774	6,975	3,814	3,295
Other payables	<u>122</u>	<u>95</u>	<u>100</u>	<u>113</u>
	<u><u>7,896</u></u>	<u><u>7,070</u></u>	<u><u>3,914</u></u>	<u><u>3,408</u></u>

Accruals

Our accruals include construction materials costs as well as costs in relation to rectification works performed by resources arranged by our customers and part of our works performed by workers arranged by Customer C mainly due to the tight schedule of the Hong Kong Children's Hospital project.

Our accruals decreased from approximately HK\$7.8 million as at 31 March 2016 to approximately HK\$7.0 million as at 31 March 2017, and further decreased to approximately HK\$3.8 million as at 31 March 2018. The relatively lower amount as at 31 March 2018 compared to 31 March 2017 was mainly because there was no accrued cost for the Hong Kong Children's Hospital project as at 31 March 2018 (31 March 2017: approximately HK\$4.0 million).

Our accruals decreased from approximately HK\$3.8 million as at 31 March 2018 to approximately HK\$3.3 million as at 31 December 2018. Such decrease was mainly due to net decrease in accrued cost charged by our customers (e.g. rectification works performed by resources by our customers) by approximately HK\$2.8 million during the nine months ended 31 December 2018, partially offset by accrued listing expenses of approximately HK\$1.6 million as at 31 December 2018 (31 March 2018: nil).

Amount due from a director

Details of the amount due from a director are summarised in note 28(c) to the Accountants' Report set out in Appendix I to this prospectus. The amount due from a director was non-trade in nature, unsecured, interest-free and repayable on demand.

During the Track Record Period, amount due from a director represented cash advanced by our Group to Mr. CM Ip for his personal use.

All amount due from a director had been fully settled as at the Latest Practicable Date.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 30 April 2019, being the latest practicable date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at 30 April 2019, there were no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 April 2019 and up to the date of this prospectus. Our Directors confirmed that as at 30 April 2019, we did not have any immediate plan for additional material external debt financing.

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 30 April 2019 <i>HK\$'000</i>
Current:					
Amount due to related parties	11,220	11,243	1,962	–	–
Interest-bearing bank loans	3,193	25,332	33,019	21,219	30,411
	14,413	36,575	34,981	21,219	30,411
Non-current:	–	–	–	–	–

Amount due from/to related parties

Details of the amount due from/to related parties are summarised in note 28(c) to the Accountants' Report set out in Appendix I to this prospectus. The amount due from/to related parties were non-trade in nature, unsecured, interest-free and repayable on demand.

All amount due from/to related parties had been fully settled as at the Latest Practicable Date.

FINANCIAL INFORMATION

Interest-bearing bank loans

Interest-bearing bank loans represent bank loans as well as bank overdrafts and the following table sets out the bank loans and bank overdrafts as at the dates indicated:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 30 April 2019 <i>HK\$'000</i>
Bank loans	3,193	10,970	33,019	21,219	30,411
Bank overdrafts	—	14,362	—	—	—
	<u>3,193</u>	<u>25,332</u>	<u>33,019</u>	<u>21,219</u>	<u>30,411</u>

As at 30 April 2019, our bank loans amounted to approximately HK\$30.4 million. One of the banking facilities was secured by (i) personal guarantee given by Mr. CM Ip; and (ii) two properties held by Yuk Ying Development Company Limited. Such banking facilities will be repaid before Listing. The remaining banking facilities was granted by Bank of China (Hong Kong) Limited and was secured by personal guarantees given by Mr. CY Ip, Mrs. Ip and Mr. CM Ip. The said personal guarantees will be released by Bank of China (Hong Kong) Limited upon Listing, subject to, among others, the following conditions, that (i) our Company duly executes a corporate guarantee in favour of Bank of China (Hong Kong) Limited to cover such banking facilities up to HK\$20 million; (ii) our Company shall maintain a listing status on the Stock Exchange, and cannot be suspended from trading for more than 14 consecutive trading days at any time other than temporary trading halt or suspension pending disclosure of an inside information announcement; and (iii) our Company agrees and undertakes that our consolidated tangible net worth shall at all times be not less than HK\$80 million, and our consolidated total interest bearing borrowing minus cash to consolidated tangible net worth shall not exceed 0.3 times through the life of the banking facilities.

For further details, please refer to note 20 to the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Operating lease commitments

As at 31 March 2016, 2017 and 2018, 31 December 2018 and 30 April 2019, the total future minimum lease payments payable by our Group (as lessee in respect of the leases of premises) under non-cancellable operating leases are as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 30 April 2019 <i>HK\$'000</i>
Within one year	295	298	314	314	249
In the second to fifth years, inclusive	258	314	275	39	–
	553	612	589	353	249

These leases are leases for office properties which are negotiated for terms ranging from one to two years.

Capital commitments

As at 31 March 2016, 2017 and 2018, 31 December 2018 and 30 April 2019, we had the following capital commitments:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>	As at 30 April 2019 <i>HK\$'000</i>
Contracted, but not provided for:					
Tools and equipment	–	–	–	3,062	3,028

The amounts of approximately HK\$3.1 million and HK\$3.0 million as at 31 December 2018 and 30 April 2019 represent capital commitment in relation to contracts entered into between our Group and a supplier of metal scaffold equipment for purchase of metal scaffold equipment.

Contingent liabilities

During the Track Record Period, we have been involved in certain litigation and claims, details of which are disclosed in the paragraph headed “Business – Litigation and potential claims” in this prospectus. Our Directors are of the opinion that the litigation and claims are not expected to have a material impact on our financial position, and the outcome for potential litigation and claims is uncertain. Accordingly, no provision has been made to our Group’s financial statements.

FINANCIAL INFORMATION

Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, save as disclosed in this section, we did not have any off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	FY2015/16/ As at 31 March 2016	FY2016/17/ As at 31 March 2017	FY2017/18/ As at 31 March 2018	For the nine months ended 31 December 2018/As at 31 December 2018
Revenue growth	N/A	89.9%	(4.4%)	20.2%
Net profit growth	N/A	1.6%	102.7%	(30.7%)
Gross profit margin	13.8%	7.8%	14.8%	15.2%
Net profit margin before interest and tax	10.9%	6.0%	12.5%	8.5%
Net profit margin	9.1%	4.8%	10.3%	6.3%
Return on equity	34.9%	26.2%	35.1%	15.1%
Return on total assets	18.7%	12.8%	18.4%	10.1%
Current ratio	2.1	2.0	2.1	3.0
Quick ratio	2.1	2.0	2.1	3.0
Trade receivables turnover days	32.1 days	24.4 days	27.9 days	36.4 days
Trade payables turnover days	25.9 days	20.7 days	33.3 days	33.4 days
Gearing ratio	27.9%	52.2%	33.0%	17.0%
Net debt to equity ratio	4.9%	Net cash	Net cash	Net cash
Interest coverage	211.8	28.3	76.7	40.6

Revenue growth

Our revenue increased from approximately HK\$199.4 million for FY2015/16 to approximately HK\$378.6 million for FY2016/17 but decreased to approximately HK\$361.9 million for FY2017/18. Our revenue increased from approximately HK\$249.7 million for the nine months ended 31 December 2017 to approximately HK\$300.1 million for the nine months ended 31 December 2018. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the changes in our revenue.

Net profit growth

Our profit and total comprehensive income for the year increased from approximately HK\$18.1 million for FY2015/16 to approximately HK\$18.4 million for FY2016/17, and further increased to approximately HK\$37.2 million for FY2017/18. Our profit and total comprehensive income decreased from approximately HK\$27.2 million for the nine months ended 31 December 2017 to approximately HK\$18.8 million for the nine months ended 31 December 2018. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the changes in our net profit.

FINANCIAL INFORMATION

Gross profit margin

Our gross profit margin decreased from approximately 13.8% for FY2015/16 to approximately 7.8% for FY2016/17, but increased to approximately 14.8% for FY2017/18. Our gross profit margin decreased from approximately 15.8% for the nine months ended 31 December 2017 to approximately 15.2% for the nine months ended 31 December 2018. Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the reasons for the changes in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 10.9% for FY2015/16 to approximately 6.0% for FY2016/17, but increased to approximately 12.5% for FY2017/18. Such changes were mainly due to the changes in our gross profit margin as mentioned above.

Our net profit margin before interest and tax decreased from approximately 13.3% for the nine months ended 31 December 2017 to approximately 8.5% for the nine months ended 31 December 2018. Such decrease was mainly due to the recognition of listing expenses of approximately HK\$12.9 million for the nine months ended 31 December 2018 (2017: nil).

Net profit margin

Our net profit margin decreased from approximately 9.1% for FY2015/16 to approximately 4.8% for FY2016/17, but increased to approximately 10.3% for FY2017/18. Such changes were mainly due to the changes in our gross profit margin as mentioned above.

Our net profit margin decreased from approximately 10.9% for the nine months ended 31 December 2017 to approximately 6.3% for the nine months ended 31 December 2018. Such decrease was mainly due to the decrease in our net profit margin before interest and tax as mentioned above.

Return on equity

Return on equity is calculated as profit and total comprehensive income for the year/period divided by the ending total equity as at the respective reporting dates.

Our return on equity was approximately 34.9%, approximately 26.2% and approximately 35.1% for each of FY2015/16, FY2016/17 and FY2017/18, respectively. Our return on equity was lower for FY2016/17 mainly due to the Hong Kong Children’s Hospital project which contributed substantial amount of revenue for FY2016/17 and the profit margin for such project was relatively lower than that of our other projects. As a result, our return on equity was negatively affected for FY2016/17.

FINANCIAL INFORMATION

Our return on equity decreased from approximately 28.3% for the nine months ended 31 December 2017 to approximately 15.1% for the nine months ended 31 December 2018. Such decrease was mainly due to the decrease in our net profit for the nine months ended 31 December 2018 as discussed above.

Return on total assets

Return on total assets is calculated as profit and total comprehensive income for the year divided by the ending total assets as at the respective reporting dates.

Our return on total assets was approximately 18.7%, approximately 12.8%, approximately 18.4% for each of FY2015/16, FY2016/17, FY2017/18, respectively. The change in our return on total assets over the three financial years was mainly due to reasons similar to those for the change in our return on equity as discussed above.

Our return on total assets decreased from approximately 15.4% for the nine months ended 31 December 2017 to approximately 10.1% for the nine months ended 31 December 2018. The decrease in our return on total assets was mainly due to reasons similar to that for the change in our return on equity as discussed above.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio was approximately 2.1 times, approximately 2.0 times and approximately 2.1 times as at 31 March 2016, 2017 and 2018 respectively, which remained broadly stable as at the aforesaid respective reporting dates.

Our current ratio increased from approximately 2.1 times as at 31 March 2018 to approximately 3.0 times as at 31 December 2018. Such increase was mainly due to our Group maintained a strong current assets position while our current liabilities decreased by approximately 36.0% as a result of (i) the decrease in trade payables by approximately HK\$11.4 million during the nine months ended 31 December 2018 as discussed above; (ii) the settlement of contract liabilities during the nine months ended 31 December 2018; and (iii) the repayment of interest-bearing bank loans during the nine months ended 31 December 2018.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

FINANCIAL INFORMATION

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 275 days for the nine months ended 31 December 2018).

Please refer to the paragraph headed “Discussion of selected statement of financial position items – Trade receivables” in this section for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 275 days for the nine months ended 31 December 2018).

Please refer to the paragraph headed “Discussion of selected statement of financial position items – Trade and retention payables” in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (i.e. amount due to related parties and interest-bearing bank loans) divided by the total equity as at the respective reporting dates.

Our gearing ratio increased from approximately 27.9% as at 31 March 2016 to approximately 52.2% as at 31 March 2017, which was mainly due to new bank loans taken out by us during FY2016/17. Our gearing ratio decreased to approximately 33.0% as at 31 March 2018 and further decreased to approximately 17.0% as at 31 December 2018. The fluctuation in our gearing ratio during the Track Record Period was primarily due to the fluctuation of amount due to related parties and interest-bearing bank loans.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, including amount due to related parties and interest-bearing bank loans, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio was approximately 4.9% as at 31 March 2016, while we recorded net cash positions as at 31 March 2017 and 2018 and 31 December 2018. This was because we had a relatively lower level of cash and cash equivalents as at 31 March 2016 compared to 31 March 2017 and 2018 and 31 December 2018.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years/period.

FINANCIAL INFORMATION

Our interest coverage decreased from approximately 211.8 times as at 31 March 2016 to approximately 28.3 times as at 31 March 2017. Such decrease was mainly due to the net increase in bank loans during FY2016/17 which resulted in a higher interest expense and therefore a lower interest coverage as at 31 March 2017.

Our interest coverage increased from approximately 28.3 times as at 31 March 2017 to approximately 76.7 times as at 31 March 2018, which was mainly due to the decrease in finance costs incurred by our Group during FY2017/18 compared to FY2016/17 as discussed in this section above.

Our interest coverage decreased from approximately 76.7 times as at 31 March 2018 to approximately 40.6 times as at 31 December 2018, which was mainly due to the increase in finance costs incurred by our Group during the nine months ended 31 December 2018 compared to the nine months ended 31 December 2017 as discussed in this section above.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Our Group is exposed to credit risk, liquidity risk and interest rate risk in the normal course of business. For further details of our financial risk management, please refer to the paragraph headed “Business – Risk management and internal control systems” and note 31 in section II of the Accountants’ Report in Appendix I to this prospectus.

Capital management

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

During the Track Record Period, the capital structure of our Group consists of debts, which include amount due to related parties, interest-bearing bank loans, as well as equity attributable to owners of our Company, comprising share capital and reserves.

Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new bank loans or sell assets to reduce debt, depending on our capital structure and needs from time to time.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the Listing on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 31 December 2018 as if the Listing had taken place on 31 December 2018, was approximately HK\$0.22 per Offer Share (assuming an Offer Price of HK\$0.50 per Offer Share) or HK\$0.23 per Offer Share (assuming an Offer Price of HK\$0.54 per Offer Share). Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

FINANCIAL INFORMATION

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$38.6 million. Out of the amount of approximately HK\$38.6 million, approximately HK\$16.2 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$22.4 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK\$22.4 million that shall be charged to profit or loss, approximately HK\$14.3 million was incurred for FY2018/19, of which approximately HK\$12.9 million has been charged for the nine months ended 31 December 2018, and approximately HK\$8.1 million is expected to be incurred for FY2019/20. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2018/19 and FY2019/20 has been/will be affected by the estimated expenses in relation to the Listing.

DIVIDEND

For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, we declared dividends of nil, nil, HK\$1.3 million and nil respectively to our then shareholders. For the dividend declared during FY2017/18, such amount had been settled during FY2017/18 and we financed the settlement of such dividends by internal resources.

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

DISTRIBUTABLE RESERVES

Our Company was incorporated on 24 July 2018. As at 31 March 2016, 2017 and 2018 and 31 December 2018, our Company had no reserves available for distribution to our Shareholders.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 28(b) to the Accountants' Report set out in Appendix I to this prospectus. During the Track Record Period, our transactions with a related party comprise the following:

	FY2015/16	FY2016/17	FY2017/18	For the nine months ended 31 December 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental fee paid to:				
– Yuk Ying Development Company Limited	216	–	–	–

Yuk Ying Development Company Limited is a company incorporated in Hong Kong on 27 March 1998 with limited liability and is currently owned by Mr. CY Ip as to 50% and Mrs. Ip as to 50%.

During FY2015/16, we (as tenant) leased Unit B, 12th Floor, Cheong Shing Industrial Building, No. 17 Walnut Street, Kowloon, Hong Kong from Yuk Ying Development Company Limited for our general business use. It is the view of our Directors that such related party transaction was conducted in our ordinary and usual course of business. Our Directors confirmed that the rental transaction was conducted on arm's length basis and would not distort our results during the Track Record Period, having regard to the then prevailing market rent as assessed by an independent valuer.

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2018, and there have been no events since 31 December 2018 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

EVENTS AFTER THE TRACK RECORD PERIOD

Our Directors confirm that, save as disclosed in this prospectus, there was no significant event relevant to the business or financial performance of our Group that came to the attention of the Directors after the Track Record Period and up to the Latest Practicable Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business – Business strategies” in this prospectus for a detailed description of our future plans.

REASONS FOR LISTING AND USE OF PROCEEDS

Our Company is seeking the Listing in order to (i) satisfy our genuine funding need in order to expand our business; (ii) enhance our corporate profile and assist in reinforcing its market reputation; (iii) provide liquidity in the trading of Shares and enable us to raise funds for future business development more easily; (iv) increase the confidence of our customers and suppliers in our Group’s internal control and operating systems; and (v) enhance recruitment strategy and work morale.

As stated in our business strategies, we aim to expand our market share in the formwork works industry in Hong Kong by expanding our formwork work capacity, purchasing our own metal scaffold equipment and strengthening our manpower. The net proceeds from the Share Offer will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in the paragraph headed “Business – Business strategies” in this prospectus.

Our Group has more than 25 years of history. Mr. CM Ip (being our executive Director and our Controlling Shareholder) has served in our Group for over 20 years. Such a long history has demonstrated the Controlling Shareholder’s commitment towards our Group. Our Directors believe that the Listing would take our Group to the next level by expediting the implementation of our Group’s future plans and strategies, strengthening our Group’s financial position and corporate profile, and enabling us to better tackle future challenges.

Satisfy our genuine funding need in order to expand our business

Business opportunities and growth drivers in view of the industry outlook

According to the Ipsos Report, the gross output value of the general building construction works industry is expected to increase from approximately HK\$135.1 billion in 2019 to approximately HK\$156.2 billion in 2023, at a CAGR of approximately 3.7%. In particular, the gross output value of the formwork works industry is expected to increase from approximately HK\$6,385.4 million in 2019 to approximately HK\$7,397.1 million in 2023, at a CAGR of approximately 3.7%. The New Development Area plan (NDA) including Kwu Tung North NDA, Fanling North NDA and Tung Chung New Town Extension is expected to be developed and is expected to provide approximately 109,400 flats and 1,717,000 m² of industrial and commercial floor area. Together with the reclamation and advanced works which commenced in Tung Chung New Town Extension in 2017, these formed lands in the NDA are expected to increase the land supply for building construction and therefore supporting the growth of formwork works industry in Hong Kong.

Our Directors believe that our Group’s business is expected to expand taking into account our projects on hand, the tenders we have submitted after the Track Record Period and the potential projects we are planning to submit. Driven by the business opportunities

FUTURE PLANS AND USE OF PROCEEDS

and positive future outlook in the building construction industry and formwork works industry, our Directors are confident that our expansion plan to increase our market share and to compete for more sizable and profitable formwork works projects is justifiable.

Our available cash and unutilised banking facilities are just sufficient for maintaining our existing business operations

Our principal sources of funds have been our equity capital, cash generated from our operations and borrowings. As at 30 April 2019, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and cash equivalents of approximately HK\$13.1 million and fully utilised our bank facilities of approximately HK\$30.4 million. Considering that (i) our cash and cash equivalents as at 30 April 2019 accounted for around only 2.0% of the total expected revenue to be recognised from our projects on hand as at the Latest Practicable Date (being approximately HK\$648 million); (ii) our cash and cash equivalents were less than our current liabilities (being approximately HK\$70.1 million) as at 30 April 2019; (iii) our average monthly operating costs for our projects based on our direct costs which include, amongst others, subcontracting charges, and construction materials and consumables were approximately HK\$14.3 million, HK\$29.1 million, HK\$25.7 million, and HK\$28.3 million for each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, respectively; and (iv) our cash and cash equivalents as at 31 December 2018 (being approximately HK\$32.9 million) was only able to fund our operating costs for around one month. As such, our Directors consider that our available cash and unutilised banking facilities was just sufficient for maintaining our existing business operations and would not be able to accommodate for further business expansion. For details of our projects on hand, please refer to the paragraph headed “Business – Our projects” in this prospectus.

Provide our Group with a sustainable fund raising platform for future business development

Our Directors consider that the net proceeds from the Listing can provide us with the necessary additional financial resources without exposing us to high gearing ratio which would subject us to the inherent risks of higher interest rate and finance costs. Our Group’s financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed to fund our business expansion through debt financing. While we may continue to obtain certain banking facilities alongside with equity financing, our Directors believe that a listing status with an enlarged capital will put our Group in a better position to negotiate with banks and financial institutions. Further, our Directors consider that it would be difficult for our Group, without a listing status, to obtain bank borrowings at a more commercially favourable term without personal guarantees or other collaterals to be provided by our Controlling Shareholders. As a result, instead of solely relying on debt financing, our Directors believe that a combination of equity financing and debt financing will be more beneficial to our Group to fund our expansion plan. Should the Listing be delayed or not proceed, we may need to (i) seek for further banking facilities, if available; and/or (ii) slow down our business development by declining tender invitations which we may not have sufficient resources to pursue, and this will not be beneficial to our Group’s future growth.

FUTURE PLANS AND USE OF PROCEEDS

Funding requirements to finance our projects and capture future business opportunities

Further, according to the Ipsos Report, a main contractor would only consider engaging formwork contractors which are financially healthy and are able to maintain cash flow liquidity, and industry players without sufficient capital and financial resources will not be considered in the tendering process. Therefore, formwork contractors with stronger financial standing and cash flow liquidity are able to tender for more and larger scale projects, and large-scale construction projects help formwork contractors to enhance their job experience and build up their reputation in the industry. Based on our Directors' experience, our customers would generally take into account the financial position and cash flow liquidity of the potential contractors before awarding the tenders. We have been unsuccessful in tendering for certain large scale projects due to constraints in our cash flow liquidity and financial resources. During the Track Record Period, we have received 165 tender invitations, while we declined 48 tender invitations with an aggregate expected contract sum of approximately HK\$2,514 million. We have been unable to tender for more large scale project as we did not have sufficient cash flow liquidity and/or manpower to perform multiple large scale projects during the same period of time, thereby foregoing business opportunities and hindering our business growth. Given our stable and long-term business relationship with our major customers, our Directors consider that we will be able to achieve further growth by capturing future opportunities and secure more large-scale construction projects by having a listing status and with an increase in cash flow liquidity position.

Enhance our corporate profile and assist in reinforcing its market reputation

We consider our corporate profile and recognition to be important factors for securing new projects as we obtain our business by way of invitation to tender. A listing status generally shows that our Company is adhering to higher standards of compliance and corporate governance. As such, our Directors consider that a public listing status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image, which will assist in further strengthening our market position, expanding our market share and enhancing our reputation.

We also believe that the Listing could attract potential customers, suppliers and subcontractors which are more willing to establish business relationships with listed companies. It may also generate reassurance amongst our Group's existing customers, suppliers and subcontractors. As some of our competitors have already been publicly listed, our Directors consider a public listing status would enhance our competitiveness among our industry peers.

Provide liquidity in the trading of Shares and enable us to raise funds for future business development more easily

The Listing will provide our Company a broader shareholder base and a market for the trading of the Shares. The Listing will allow institutional, professional and other investors in Hong Kong to easily invest in our Company. In addition, our Directors are of the view that the Listing will enable our Group to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future. On the contrary, debt financing does not offer such similar advantages.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider that the net proceeds from the Listing will also assist us in any future debt financing, if necessary. Being a private company without public listing status, our Directors consider it would be difficult for us to obtain debt financing without guarantees or other collateral to be provided by our Controlling Shareholders. As there will be more stringent financial reporting requirements under the Listing Rules for companies with a public listing status, the banks will be able to evaluate our financial position more effectively, and hence, the approval process for any future borrowings can be smoothed. We will have more flexibility in management of our cash flow as a result of the better accessibility to the banking facilities.

Increase the confidence of our customers and suppliers in our Group's internal control and operating systems

A listed company will be subject to more stringent compliance requirements as compared with a private company. For example, after the Listing, we will have an enhanced corporate governance system and our internal control and corporate governance practices could be further enhanced following the Listing. In this connection, our Directors consider that a public listing status will increase the confidence of our customers and suppliers in our Group's internal control and operating systems, which may further enhance our business relationship with them. According, our Directors believe we will become a more competitive subcontractor in the formwork works industry in Hong Kong.

Enhance recruitment strategy and work morale

On an operational level, our Directors consider that a public listing status will enhance our recruitment strategy in attracting more experienced staff and talented people to join our management team in the future, as well as retaining our existing staff. Our Directors are of the view that a public listing status will also improve our existing staff's work morale, thereby improving the quality of our services which is beneficial to our long term development.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Share Offer) will be approximately HK\$91.4 million, assuming an Offer Price of HK\$0.52 per Share, being the mid-point of the Offer Price range stated in this prospectus.

We currently intend to apply these net proceeds for the following purposes:

- Approximately HK\$82.2 million, or approximately 89.9% of the net proceeds will be used for financing the start-up costs for projects commencing from the calendar year 2019. Our start-up costs include, amongst others, construction materials and consumables costs and subcontracting charges. As our customers typically make progress payments after our work has commenced, we may experience initial cash outflow during the early stages of the implementation of our projects. Further, we generally continue to experience net cash outflow even after the first payment received from our customers. For further details, please

FUTURE PLANS AND USE OF PROCEEDS

refer to the paragraph headed “Risk Factors – Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our suppliers and subcontractors” in this prospectus.

Basis for the allocation of start-up cost and our expansion plan

We usually receive the first payment from our customers approximately three months after the commencement of our projects. We estimate that it will take us up to ten months since we incur start-up cost up to the time when the monthly payments received from our customers are sufficient to cover our monthly payments to our suppliers, which generally amounted to approximately 21.1% of the initial contract sum based on the gross accumulated cash outflow until we are able to generate net positive cash inflow for certain sizable projects based on our previous experience.

With the net proceeds from the Share Offer to finance the start-up costs for two of our awarded projects and one tendered project likely to be obtained by our Group, our Directors believe that we can tender for and undertake more projects at competitive rates on top of our existing operational scale. For illustration purpose, should the amount of approximately HK\$82.2 million be utilised for payment of start-up costs for our awarded and tendered projects, based on the average start-up cost ratio of approximately 21.1%, we could tender for new projects with an aggregate initial contract sum of approximately HK\$389.6 million.

Use of proceeds for funding our start-up costs

We plan to use part of the proceeds which is earmarked to fund our start-up costs for the following awarded and tendered projects:

Location and nature of project	Initial contract sum/ tender amount	Estimated project commencement date	Estimated amount of start-up cost	Allocation of proceeds
	<i>approximately HK\$'000</i>	<i>(Note 1)</i>	<i>HK\$'000 (Note 2)</i>	<i>HK\$'000</i>
<i>Awarded projects</i>				
Residential development at Tai Wai Station (“ Project I ”)	217,686	Third quarter of 2019	45,932	45,932
Composite development at Kai Tak (“ Project II ”)	45,705	Fourth quarter of 2019	9,644	9,644

FUTURE PLANS AND USE OF PROCEEDS

Location and nature of project	Initial contract sum/ tender amount <i>approximately</i> HK\$'000	Estimated project commencement date <i>(Note 1)</i>	Estimated amount of start-up cost <i>(Note 2)</i> HK\$'000	Allocation of proceeds HK\$'000
<i>Tendered project</i> Commercial development at Tai Koo (“ Project III ”)	139,345	Second quarter of 2019	29,402	26,635
				82,211

Notes:

1. The estimated project commencement date is determined according to our Directors’ estimation based on experience. The actual project commencement date may be adjusted by our customers or potential customer subject to the tendering process and changes in project requirements.
2. The estimated amount of start-up cost is calculated using the start-up cost ratio of approximately 21.1%, please refer to the paragraph headed “Basis for the allocation of start-up cost and our expansion plan” in this section above for further details.

We believe we have a relatively high chance of obtaining Project III due to the fact that we have attended tender interview and have subsequently received a draft contract from the relevant customer in relation to the project. After we make our tender submissions, our customer may by way of interviews or enquiry letters clarify and negotiate with us the particulars of our tender submission and the contract terms. We are currently in the process of negotiating and finalising the contract terms with our customer.

We plan to use the net proceeds of approximately HK\$55.6 million to fund our start-up costs for Project I and Project II. We intend to use a combination of the remaining proceeds of approximately HK\$26.6 million and our working capital and/or banking facilities of approximately HK\$2.8 million to fund our start-up costs for Project III.

Our tendered projects with expected contract sum exceeding HK\$10.0 million

After the Track Record Period and up to the Latest Practicable Date, we have received 20 tender invitations and submitted tender for 17 projects. Out of the 17 tenders we have submitted, we have been awarded two projects, including Project II, with aggregate initial contract sum of HK\$155 million and we are still pending results for 12 projects, including Project III, with an aggregate estimated contract sum of approximately HK\$1,347 million. Other than Project II and Project III which are set out in the paragraph headed “Use of proceeds for funding our

FUTURE PLANS AND USE OF PROCEEDS

start-up costs” in this section above, the details of the tenders we have submitted with expected contract sum exceeding HK\$10.0 million (excluding the unsuccessful tenders) after the Track Record Period and up to the Latest Practicable Date are set out in the table below.

Location and nature of project	Initial contract sum/tender amount <i>HK\$'000</i>	Actual/estimated project commencement date <i>(Note)</i>	Status
Residential development at Ap Lei Chau	109,297	First quarter of 2019	Awarded
Commercial development at Cheung Sha Wan	75,078	Second quarter of 2019	Pending tender result
Residential development at Kwun Tong	143,804	Second quarter of 2019	Pending tender result
Residential development at Tuen Mun	161,104	Third quarter of 2019	Pending tender result
Governmental development at Kai Tak	63,391	Third quarter of 2019	Pending tender result
Commercial development at Wan Chai	98,415	Second quarter of 2019	Pending tender result
Residential development at Sai Ying Pun	16,919	Second quarter of 2019	Pending tender result
Commercial development at Chek Lap Kok	232,296	Third quarter of 2019	Pending tender result
Museum at West Kowloon	113,640	Third quarter of 2019	Pending tender result
Hospital redevelopment at Yau Ma Tei	127,765	Third quarter of 2019	Pending tender result
Commercial development at Chek Lap Kok	173,719	Third quarter of 2019	Pending tender result

Note: The estimated project commencement date is determined according to our Directors' estimation based on experience. The actual project commencement date may be adjusted by the potential customers subject to the tendering process and changes in project requirements.

We intend to fund the start-up cost and working capital needs for the awarded and tendered projects as set out in the table above from our own working capital and/or banking facilities.

Sufficiency of our internal resources

As mentioned in the paragraph headed “Use of proceeds for funding our start-up costs” in this section above, our internal resources required for funding the start-up cost of Project III is approximately HK\$2.8 million. Further, based on the start-up cost ratio of approximately 21.1%, the expected remaining start-up cost that had not been incurred as of the Latest Practicable Date for the awarded residential development project at Ap Lei Chau (the only project awarded after the Track Record Period and up to the Latest Practicable Date that is not financed by

FUTURE PLANS AND USE OF PROCEEDS

net proceeds) is approximately HK\$14.9 million. Based on our cash and cash equivalents of approximately HK\$13.1 million as at 30 April 2019 and our future operating cash inflow, save as the start-up costs to be financed by the net proceeds, our Directors consider that we have sufficient internal resources to fund the start-up costs of our awarded projects and Project III.

Based on our Directors' experience, only shortlisted candidates will be asked to attend tender interviews. In the event that we are shortlisted to attend tender interviews for any of the tendered projects which were pending results as disclosed above, we will assess our financial capacity with reference to our cash and cash equivalents, unutilised banking facilities and our future operating cash inflow. Should our financial capacity be insufficient to take on additional tender project(s), we will negotiate for a less competitive price at the tender interviews, so as to decrease the chances of obtaining the said tendered projects.

In the event that the Listing is delayed or does not proceed, we will either turn down potential tender invitations and slow down our business development, or we will have to seek for further banking facilities to finance the awarded and tendered projects. However, our Directors consider that we may have difficulties in securing further banking facilities taking into account that (i) our gearing ratio is approximately 17.0% as at 31 December 2018; and (ii) our Group does not have any real estate properties to be provided as security for additional banking facilities. Even if we are able to secure further banking facilities, our Directors consider that we may be subject to higher interest rates and finance costs.

- Approximately HK\$9.2 million, or approximately 10.1% of the net proceeds will be used for purchasing metal scaffold equipment and related expenses. Out of which, our Directors estimate that approximately HK\$8.8 million will be used for the acquisition of metal scaffold equipment, approximately HK\$240,000 will be used for rental costs of the warehouse for one year, and approximately HK\$180,000 will be used for the labour cost for an additional worker to guard the warehouse. Based on our Directors' experience, a basic set of metal scaffold equipment consists of 2 cross braces, 2 frames and 4 jacks. By applying the part of proceeds of approximately HK\$8.8 million, we will be able to acquire approximately 14,607 sets of metal scaffold equipment based on the above assumption. We intend to use these metal scaffold equipment for our awarded projects which will commence in the calendar year 2019, the potential projects which we have submitted tender and the potential projects which we will actively tender as part of our expansion plan. Having considered the above and the amount of metal scaffold equipment contracted but not delivered, our Directors consider that it will be beneficial to our Group in the long run by possessing our own metal scaffold equipment taking into account of (i) the amount of formwork works projects on hand; and (ii) the expected growth of the construction industry in Hong Kong of which formwork works is an indispensable step; and (iii) the increasing demands for metal scaffold equipment in order to perform the newly awarded projects of significant amounts.

FUTURE PLANS AND USE OF PROCEEDS

Economic benefits of purchasing metal scaffold equipment

For each of FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018, our rental charges for metal scaffold equipment (excluding the rental charges for other equipment) amounted to approximately HK\$4.2 million, HK\$10.2 million, HK\$5.4 million and HK\$4.5 million, respectively.

Taking into account the number of metal scaffold equipment used by our Group during the Track Record Period, the corresponding rental charges incurred, the useful life of the metal scaffold equipment and the depreciation expenses, we estimate that we could save a yearly rental expenses of approximately HK\$2.5 million from the acquisition of metal scaffold equipment of approximately HK\$8.8 million. As such, we expect that the cost of the acquisition of metal scaffold equipment would be recovered in approximately five years. A comparison of the yearly rental cost saved and additional yearly expenses from acquisition of the metal scaffold equipment (including depreciation expenses over a period of eight years, being the estimated useful life of the metal scaffold equipment, and other miscellaneous expenses) is set out in the table below:

Approximate yearly savings on rental expenses from acquisition of metal scaffold equipment (A) HK\$'000	Approximate yearly depreciation expenses in relation to the acquisition (B) HK\$'000	Approximate yearly miscellaneous expenses in relation to the acquisition (C) HK\$'000 <i>(Note)</i>	Approximate difference between yearly savings on rental expenses, and the yearly depreciation and miscellaneous expenses from acquisition of metal scaffold equipment (A - (B+C)) HK\$'000
2,456	1,096	420	940

Note: The approximate yearly miscellaneous expenses include rental costs of the warehouse and labour cost for an additional worker to guard the warehouse.

Based on the table above, the estimated yearly savings on rental expenses are greater than the aggregate of the approximate yearly depreciation expenses and the approximate yearly miscellaneous expenses in relation to the acquisition of the metal scaffold equipment. Therefore, our Directors are of the view that it will be more cost effective for us to acquire our own metal scaffold equipment in the long run. Nevertheless, the acquisition of these metal scaffold equipment from applying the net proceeds will not be sufficient to satisfy all our project needs in view of our expansion plan. In addition to renting metal scaffold equipment, we have also acquired our own metal scaffold equipment during the Track Record Period. As at the Latest Practicable Date, our own metal scaffold equipment at cost amounted to approximately HK\$9.9 million. Having considered the above and the amount of metal scaffold equipment contracted but not delivered, our Directors estimate that the yearly rental expenses of metal scaffold equipment will be approximately HK\$5.4 million if we do not acquire more metal scaffold

FUTURE PLANS AND USE OF PROCEEDS

equipment from the net proceeds, while we estimate that we could save yearly rental expenses of approximately HK\$2.5 million if we acquire metal scaffold equipment from applying the proceeds. In order to cater for all our project needs, we plan to continue to rent metal scaffold equipment from our suppliers, and will expect to incur yearly rental expenses of approximately HK\$2.9 million for the rental of metal scaffold equipment in the future which will be funded by our internal resources and/or banking facilities.

Other benefits

Other than the economic benefits, the acquisition of our own metal scaffold equipment will reduce our reliance on external metal scaffold equipment suppliers, minimise any delay caused by the absence of metal scaffold equipment and high rental costs due to short notice before the commencement of our projects. According to the Ipsos Report, the supply of metal scaffold equipment fluctuates over time, and the rental of metal scaffold equipment is subject to the availability of suitable metal scaffold equipment in the market. There may be times when metal scaffold equipment would be difficult to obtain in the Hong Kong rental market due to the increase in demand for metal scaffold equipment and the future development of the construction industry in Hong Kong. Our Directors consider that the acquisition of our own metal scaffold equipment will (i) mitigate the risks of potential increase in rental costs of metal scaffold equipment due to shortages in the supply of metal scaffold equipment; and (ii) reduce the uncertainties and risks associated with the ability to obtain suitable metal scaffold equipment in the rental market on commercially favourable terms and in a timely manner. Accordingly, the acquisition of our own metal scaffold equipment will enable us to have more flexibility in deploying our operational resources, which would in turn enhance our project execution efficiency and improve our profitability. In addition, our Directors also consider that, if we own our metal scaffold equipment, we could have better control over the quality and safety of the metal scaffold equipment used in our projects. While our site supervisors and subcontractors would check the quality of metal scaffold equipment rented from third party suppliers upon delivery to the construction sites, we would not be provided with information such as the age of such metal scaffold equipment, the maintenance history and the condition of the place of storage. If we use the metal scaffold equipment acquired by us in our projects, we would have more information about the condition of the metal scaffold equipment and could perform regular maintenance, which will enable us to have better control over the quality and safety of the metal scaffold equipment.

To cater for our business expansion

Although we have generally rented metal scaffold equipment from our suppliers during the Track Record Period, our Directors believe that it is not cost effective to rely solely on renting metal scaffold equipment to cater for our business expansion in the long run.

FUTURE PLANS AND USE OF PROCEEDS

Our number of existing projects has increased from 9 projects with an aggregate initial contract sum of approximately HK\$265 million as at 1 April 2015 to 16 projects with an aggregate initial contract sum of approximately HK\$1,208 million as at the Latest Practicable Date. Together with the expansion plan mentioned above, we expect that our demand for metal scaffold equipment will continue to increase in the future as our business expands.

If the Offer Price is set at HK\$0.54 per Share (being the high end of the Offer Price range), the net proceeds from the Share Offer will increase to approximately HK\$96.0 million.

If the Offer Price is set at HK\$0.50 per Share (being the low end of the Offer Price range), the net proceeds from the Share Offer will decrease to approximately HK\$86.8 million.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term interest-bearing deposits and/or money market instruments or treasury products as permitted by the relevant laws and regulations.

UNDERWRITING

UNDERWRITER

Public Offer Underwriter

Astrum Capital Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 25,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriter has agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which it shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds For Termination

The Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter) shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;

UNDERWRITING

- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (v) any adverse change in the business or in the financial or trading position of our Group or otherwise;
- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the BVI, or any relevant jurisdiction;
- (vii) a general moratorium on commercial banking business activities in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the absolute opinion of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter):

- (a) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
- (b) might have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter):

- (i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement which is considered, in the absolute opinion of the Sole Sponsor and the Sole Bookrunner, to be material in the context of the Public Offer;

UNDERWRITING

- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the absolute opinion of the Sole Sponsor and the Sole Bookrunner in the context of the Public Offer; or
- (iii) any statement contained in this prospectus and the Application Forms considered to be material by the Sole Sponsor and the Sole Bookrunner which is discovered to be or becomes untrue, incorrect or misleading and in the absolute opinion of the Sole Sponsor and the Sole Bookrunner to be material in the context of the Public Offer; or
- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, the executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement,

the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter) shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

Lock-up undertakings to the Public Offer Underwriter

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriter that our Company shall, and each of our Controlling Shareholders has undertaken to the Sole Sponsor and the Sole Bookrunner to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sole Sponsor and the Sole Bookrunner, and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant 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 affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, 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 during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”);

UNDERWRITING

- (b) not at any time during the First Six-month Period, 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 or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;
- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”) do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules);
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all 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.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Public Offer Underwriter and our Company that:

- (a) he or it shall not, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter), directly or indirectly, and shall procure that none of his or its close associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition

UNDERWRITING

or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all 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.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sole Sponsor, the Sole Bookrunner and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor and the Sole Bookrunner in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) 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, the Sole Sponsor and the Sole Bookrunner in writing of such indications.

UNDERWRITING

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that save in connection with the transactions contemplated under the Share Offer, it or he shall not, and shall procure that the relevant registered holder(s) shall not:

- (i) in the period commencing on the date by reference to which disclosure of its or 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 or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

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

- (a) when he/it pledges or charges any securities of our Company or interests therein beneficially owned by him/it in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

UNDERWRITING

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company have 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 or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Placing Underwriter on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriter agrees to procure subscribers and purchasers to subscribe for or purchase, or failing which it shall subscribe for or purchase, the 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Lock-up undertakings to the Public Offer Underwriter” above in this section.

Commission and expenses

The Underwriter will receive an underwriting commission of 8% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid. The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Share Offer are payable by our Company.

SOLE SPONSOR’S AND UNDERWRITER’S INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee. The Underwriter will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Commission and expenses” above.

UNDERWRITING

We have appointed Grande Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor and the Underwriter is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Underwriter and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling its obligations under the Public Offer Underwriting Agreement and/or the Placing Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Bookrunner will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriter) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or about Friday, 21 June 2019 and in any event not later than Monday, 24 June 2019.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.54 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Bookrunner (for itself and on behalf of the Underwriter) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company 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 lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.silvertide.hk notices of reduction in the number of the Offer Shares and/ or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/ or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.silvertide.hk of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriter) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Bookrunner (for itself and on behalf of the Underwriter) on or before Monday, 24 June 2019 the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Thursday, 27 June 2019.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.54 per Offer Share and is expected to be not less than HK\$0.50 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.54 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,727.21 per board lot of 5,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.54 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriter under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

In each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “How to Apply for the Public Offer Shares – 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 250,000,000 Offer Shares will be made available under the Share Offer, of which 225,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and other investors under the Placing. The remaining 25,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriter have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriter will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offers Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 225,000,000 Placing Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriter subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriter or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional 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. Other investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriter) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” of this section.

The Public Offer

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriter subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.54 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional, professional and other investors. An applicant for Shares 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 has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools. Pool A will initially comprise 12,500,000 Public Offer Shares and Pool B will initially comprise 12,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into 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 undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B.

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.

Multiple or suspected multiple applications within either pool or in both 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).

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under 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 total number of Offer Shares initially available under the Public Offer, then the 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 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Share Offer, respectively.

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Sole Bookrunner deems appropriate. In addition, the Sole Bookrunner may reallocate the Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Bookrunner.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the event of reallocation of Offer Shares between the Placing and the Public Offer in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed, then up to 25,000,000 Offer Shares may be reallocated from the Placing to the Public Offer, so that the total number of Offer Shares available for subscription under the Public Offer will increase up to 50,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Share Offer, and the Offer Price shall be fixed at HK\$0.50 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus) in accordance with Guidance Letter HKEx-GL91-18.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 28 June 2019, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 28 June 2019. The Shares will be traded in board lots of 5,000 Shares each.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Bookrunner, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner (or its agents or nominees) 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 18 June 2019 to 12:00 noon on Friday, 21 June 2019 from:

- (i) the following office of the Underwriter:

Astrum Capital Management Limited at Room 2704, 27th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ii) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories

- (iii) the following office of the Sole Sponsor:

Grande Capital Limited at Room 2701, 27th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 18 June 2019 until 12:00 noon on Friday, 21 June 2019 from the Depository Counter of HKSCC at 1st Floor, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SILVER TIDE HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, 18 June 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 19 June 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 20 June 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 21 June 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 21 June 2019, the last application day or such later time as described in "9. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, and/or the Sole Bookrunner (or its agents or nominees) and/or the Sole Lead Manager (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriter nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Sole Lead Manager and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Lead Manager and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter and/ or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the 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 5,000 Public Offer Shares. Instructions for more than 5,000 Public

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Tuesday, 18 June 2019 — 9:00 a.m. to 8:30 p.m.
Wednesday, 19 June 2019 — 8:00 a.m. to 8:30 p.m.
Thursday, 20 June 2019 — 8:00 a.m. to 8:30 p.m.
Friday, 21 June 2019 — 8:00 a.m. to 12:00 noon

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 18 June 2019 until 12:00 noon on Friday, 21 June 2019 (24 hours daily, except on Friday, 21 June 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 21 June 2019, the last application day or such later time as described in “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner, the Underwriter and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Lead Manager, the Sole Bookrunner and the Underwriter take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 21 June 2019.

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** 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to 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 paragraph headed “Structure and Conditions of the Share Offer – Determining the Offer Price”.

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,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 21 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 21 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 27 June 2019 on our Company’s website at www.silvertide.hk; and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.silvertide.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 27 June 2019;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Thursday, 27 June 2019 to 12:00 midnight on Thursday, 4 July 2019;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 27 June 2019 to Thursday, 4 July 2019 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 27 June 2019 to Tuesday, 2 July 2019 at all the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which we 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”.

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner 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 12,500,000 Public Offer Shares, being 50% of Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.54 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 Thursday, 27 June 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 27 June 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 28 June 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 June 2019 or such other date as notified by us in the newspapers.

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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 27 June 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of 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 Thursday, 27 June 2019, 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 Thursday, 27 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "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 Thursday, 27 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- 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 Thursday, 27 June 2019, 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 "10. Publication of Results" above on Thursday, 27 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 June 2019 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 Thursday, 27 June 2019. 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 Thursday, 27 June 2019.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VI headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, a copy of the accountants' report is available for inspection.



22/F, CITIC Tower,
1 Tim Mei Avenue Central,
Hong Kong

The Directors
Silver Tide Holdings Limited
Grande Capital Limited

Dear Sirs,

We report on the historical financial information of Silver Tide Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-50, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2016, 2017 and 2018, and the nine months ended 31 December 2018 (the "Track Record Period"), the consolidated statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 31 December 2018 and the statement of financial position of the Company as at 31 December 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-50 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 June 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute

of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 March 2016, 2017 and 2018 and 31 December 2018 and of the financial position of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended 31 December 2017 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we

would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company and a subsidiary of the Group in respect of the Track Record Period.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

18 June 2019

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Nine months ended 31 December	
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
REVENUE	5	199,423	378,627	361,873	249,727	300,066
Cost of sales	6	<u>(171,942)</u>	<u>(349,088)</u>	<u>(308,471)</u>	<u>(210,217)</u>	<u>(254,532)</u>
Gross profit		27,481	29,539	53,402	39,510	45,534
Other income and gains	5	60	2	107	99	23
Administrative expenses		(5,691)	(6,781)	(8,199)	(6,399)	(19,949)
Other expenses		(39)	-	(7)	(7)	-
Finance costs	7	<u>(103)</u>	<u>(804)</u>	<u>(591)</u>	<u>(459)</u>	<u>(630)</u>
PROFIT BEFORE TAX	6	21,708	21,956	44,712	32,744	24,978
Income tax expense	10	<u>(3,636)</u>	<u>(3,597)</u>	<u>(7,490)</u>	<u>(5,542)</u>	<u>(6,133)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>18,072</u>	<u>18,359</u>	<u>37,222</u>	<u>27,202</u>	<u>18,845</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at 31
		2016	2017	2018	December
		HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	257	321	388	1,484
Deposits paid for acquisition of property, plant and equipment		—	—	—	369
Total non-current assets		<u>257</u>	<u>321</u>	<u>388</u>	<u>1,853</u>
CURRENT ASSETS					
Contract assets	14	47,083	58,036	93,195	98,908
Trade receivables	15	30,122	20,560	34,780	44,574
Due from a director	28c	447	2,303	5,409	—
Due from related parties	28c	1,774	—	—	55
Prepayments, other receivables and other assets	16	4,047	4,185	4,278	8,052
Tax recoverable		1,155	—	—	—
Cash and cash equivalents	17	<u>11,901</u>	<u>57,858</u>	<u>63,716</u>	<u>32,869</u>
Total current assets		<u>96,529</u>	<u>142,942</u>	<u>201,378</u>	<u>184,458</u>
CURRENT LIABILITIES					
Contract liabilities	14	—	4,458	12,921	—
Trade and retention payables	18	22,697	22,262	38,699	27,380
Due to related parties	28c	11,220	11,243	1,962	—
Other payables and accruals	19	7,896	7,070	3,914	3,408
Interest-bearing bank loans	20	3,193	25,332	33,019	21,219
Tax payables		—	2,759	5,190	9,274
Total current liabilities		<u>45,006</u>	<u>73,124</u>	<u>95,705</u>	<u>61,281</u>
NET CURRENT ASSETS		<u>51,523</u>	<u>69,818</u>	<u>105,673</u>	<u>123,177</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,780</u>	<u>70,139</u>	<u>106,061</u>	<u>125,030</u>

	<i>Notes</i>	As at 31 March			As at 31
		2016	2017	2018	December
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,780</u>	<u>70,139</u>	<u>106,061</u>	<u>125,030</u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	21	<u>36</u>	<u>36</u>	<u>36</u>	<u>160</u>
Total non-current liabilities		<u>36</u>	<u>36</u>	<u>36</u>	<u>160</u>
Net assets		<u>51,744</u>	<u>70,103</u>	<u>106,025</u>	<u>124,870</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	22	–	–	–	–
Reserves	23	<u>51,744</u>	<u>70,103</u>	<u>106,025</u>	<u>124,870</u>
Total equity		<u>51,744</u>	<u>70,103</u>	<u>106,025</u>	<u>124,870</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent			Total HK\$'000
	Share capital HK\$'000 Note 22	Merger reserve* HK\$'000 Note 23(b)	Retained profits* HK\$'000	
At 1 April 2015	–	2,000	31,672	33,672
Profit and total comprehensive income for the year	–	–	18,072	18,072
At 31 March 2016 and 1 April 2016	–	2,000	49,744	51,744
Profit and total comprehensive income for the year	–	–	18,359	18,359
At 31 March 2017 and 1 April 2017	–	2,000	68,103	70,103
Profit and total comprehensive income for the year	–	–	37,222	37,222
Interim dividend paid by a subsidiary (note 11)	–	–	(1,300)	(1,300)
At 31 March 2018 and 1 April 2018	–	2,000	104,025	106,025
Profit and total comprehensive income for the period	–	–	18,845	18,845
At 31 December 2018	<u>–</u>	<u>2,000</u>	<u>122,870</u>	<u>124,870</u>
At 31 March 2017 and 1 April 2017	–	2,000	68,103	70,103
Profit and total comprehensive income for the period (unaudited)	–	–	27,202	27,202
Interim dividend paid by a subsidiary (note 11)	–	–	(1,300)	(1,300)
At 31 December 2017 (unaudited)	<u>–</u>	<u>2,000</u>	<u>94,005</u>	<u>96,005</u>

* These reserve accounts comprise the consolidated reserves of HK\$51,744,000, HK\$70,103,000, HK\$106,025,000 and HK\$124,870,000 in the consolidated statements of financial position as at 31 March 2016, 2017 and 2018 and 31 December 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Nine months ended 31 December	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		21,708	21,956	44,712	32,744	24,978
Adjustments for:						
Depreciation	6	159	152	264	109	226
Finance costs	7	103	804	591	459	630
Interest income	5	(1)	(2)	(12)	(10)	(12)
Losses on disposal of items of property, plant and equipment	6	39	–	7	7	–
		<u>300</u>	<u>954</u>	<u>850</u>	<u>565</u>	<u>844</u>
Increase in contract assets		(3,338)	(10,953)	(35,159)	(44,146)	(5,713)
Increase/(decrease) in contract liabilities		–	4,458	8,463	11,680	(12,921)
Decrease/(increase) in trade receivables		(25,146)	9,562	(14,220)	(7,459)	(9,794)
Decrease/(increase) in prepayments, other receivables and other assets		100	(138)	(93)	176	(3,774)
Increase/(decrease) in trade and retention payables		15,574	(435)	16,437	12,602	(11,319)
Decrease in other payables and accruals		<u>(4,027)</u>	<u>(826)</u>	<u>(3,156)</u>	<u>(1,333)</u>	<u>(506)</u>
Cash generated from/(used in) operations		<u>5,171</u>	<u>24,578</u>	<u>17,834</u>	<u>4,829</u>	<u>(18,205)</u>
Bank interest received		1	2	12	10	12
Income tax (paid)/refunded		<u>(9,993)</u>	<u>317</u>	<u>(5,059)</u>	<u>–</u>	<u>(1,925)</u>
Net cash flows from/(used in) operating activities		<u>(4,821)</u>	<u>24,897</u>	<u>12,787</u>	<u>4,839</u>	<u>(20,118)</u>

	Notes	Year ended 31 March			Nine months ended 31 December	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
CASH FLOWS FROM INVESTING ACTIVITIES						
Prepayment for purchase of items of property, plant and equipment		-	-	-	-	(369)
Purchases of items of property, plant and equipment		(82)	(216)	(338)	(338)	(1,322)
Decrease/(increase) in an amount due from a director		(6,028)	(1,856)	(3,106)	(1,504)	5,409
Decrease/(increase) in amounts due from related parties		<u>(1,774)</u>	<u>1,774</u>	<u>-</u>	<u>-</u>	<u>(55)</u>
Net cash flows from/(used in) investing activities		<u>(7,884)</u>	<u>(298)</u>	<u>(3,444)</u>	<u>(1,842)</u>	<u>3,663</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans	24	-	15,638	74,362	54,362	20,000
Interest paid for a finance lease		(1)	-	-	-	-
Interest paid for bank loans		(102)	(804)	(591)	(459)	(630)
Repayments of bank loans	24	<u>(1,182)</u>	<u>(7,861)</u>	<u>(52,313)</u>	<u>(51,718)</u>	<u>(31,800)</u>
Increase/(decrease) in amounts due to related parties	24	11,009	23	(9,281)	(9,341)	(1,962)
Dividend paid		-	-	(1,300)	(1,300)	-
Repayments of finance lease	24	<u>(189)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from/(used in) financing activities		<u>9,535</u>	<u>6,996</u>	<u>10,877</u>	<u>(8,456)</u>	<u>(14,392)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		<u>15,071</u>	<u>11,901</u>	<u>43,496</u>	<u>43,496</u>	<u>63,716</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>11,901</u>	<u>43,496</u>	<u>63,716</u>	<u>38,037</u>	<u>32,869</u>

	<i>Notes</i>	Year ended 31 March			Nine months ended 31 December	
		2016	2017	2018	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Unaudited)</i>						
ANALYSIS OF BALANCES OF						
CASH AND CASH						
EQUIVALENTS						
Cash and cash equivalents as stated						
in the consolidated statements of						
financial position						
	17	11,901	57,858	63,716	38,037	32,869
Bank overdraft	20	—	(14,362)	—	—	—
Cash and cash equivalents as stated						
in the consolidated statements of						
cash flows						
		<u>11,901</u>	<u>43,496</u>	<u>63,716</u>	<u>38,037</u>	<u>32,869</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 31 December 2018 HK\$'000
NON-CURRENT ASSETS		
Investment in subsidiaries		—
CURRENT ASSETS		
Cash and cash equivalents		55
CURRENT LIABILITIES		
Due to subsidiaries		60
NET CURRENT LIABILITIES		<u>(5)</u>
Net liabilities		<u><u>(5)</u></u>
DEFICIENCY IN ASSETS		
Share capital	22	—
Accumulated losses		<u>(5)</u>
Deficiency in assets		<u><u>(5)</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 24 July 2018 with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of operations of the Company is located at Room A-B, 14F, Skyline Tower, No.18 Tong Mi Road, Mongkok, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing construction services including timber works, aluminium formworks and ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong. There has been no significant change in the Group’s principal activities during the Track Record Period.

The Company and its subsidiaries now comprising the Group underwent a group reorganisation (the “Reorganisation”) as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are limited liability companies (or, if incorporated outside Hong Kong, have substantively similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Forest Honour Limited (note a)	British Virgin Islands (“BVI”) 27 March 2018	US\$1	100	–	Investment holding
Hop Fat Yuk Ying Engineering Limited (note b)	Hong Kong 28 December 1990	HK\$2,000,000	–	100	Construction services

Notes:

- (a) No audited financial statements have been prepared for this entity since its incorporation as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) The statutory financial statements of this entity for the years ended 31 March 2016, 2017 and 2018 prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by Global Vision Certified Public Accountants (宏遠會計師事務所), certified public accountants registered in Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 5 September 2018. As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substance, the Historical Financial Information for the Track Record Period has been presented as a continuation of the existing companies using the pooling of interests method as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group are prepared as if the current group structure had been in existence throughout the Track Record Period and the period covered by the Interim Comparative Financial Information. The consolidated statements of financial position as at 31 March 2016, 2017 and 2018 and 31 December 2018 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2018, including HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and Amendments to HKFRS 15 *Clarifications to HKFRS 15 Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments.

Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$353,000 as disclosed in note 26 to the Historical Financial Information. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's results and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Track Record Period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Track Record Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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.

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the reducing balance method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimate useful lives are as follows:

Furniture, fixtures and office equipment	5 years
Tools and equipment	5 years
Motor vehicles	5 years
Computer equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each the Track Record Period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognised an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables and accrual, due to the related parties and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Construction services

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue by reference to completion of the specific transaction assessed on the basis of the work certified up to the end of the reporting period as a percentage of total contract value for each contract.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original contract. Claims are accounted for as variable considerations and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable considerations is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable considerations to which the Group will be entitled.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Other employee benefits*Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Claims to customers

Claims are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original contract. These additional works are part of the inputs to deliver the output specified by the customer. Therefore, they are accounted for as a part of the original contract. The Group has a long history of successfully negotiating claims with customers at a discount from the amount sought. Since claims subject to negotiations with third parties often have a wide range of possible outcomes, they are estimated using the expected value method taking into account historical experiences with the same customer or in the industry. Such amounts are then constrained after considering factors such as outcome of negotiations with customers, profitability of the head contracts of the customers, current market condition, etc.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end 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, are described below.

Impairment of trade receivables and contract assets

The policy for impairment of trade receivables and contract assets of the Group is based on the evaluation of collectability and ageing analysis of trade receivables and contract assets as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. Significant judgement and estimates are required in assessing the ultimate realisation of these assets, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Further details are disclosed in note 31 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of construction services in Hong Kong.

The information reported to the directors of the Group, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

No geographical information is presented as the Group's revenue was solely derived from customers and operations based in Hong Kong and the non-current assets of the Group were all located in Hong Kong during the Track Record Period.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the Track Record Period and the nine months ended 31 December 2017, is set out below:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Customer I	56,344	155,009	N/A*	N/A*	N/A*
Customer II	34,434	N/A*	N/A*	N/A*	85,025
Customer III	40,975	169,340	N/A*	N/A*	N/A*
Customer IV	N/A*	N/A*	85,820	85,820	N/A*
Customer V	55,484	40,301	133,197	102,099	58,496
Customer VI	N/A*	N/A*	42,272	N/A*	53,670
	<u>199,423</u>	<u>378,627</u>	<u>361,873</u>	<u>249,727</u>	<u>300,066</u>

* Revenue from the customer is less than 10% of the Group's total revenue in the respective year or period.

Except for the aforesaid, no other single external customer accounted for 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

All revenue is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Revenue from contracts with customers					
Construction services					
Private sector	123,758	203,284	340,532	232,493	266,848
Public sector	<u>75,665</u>	<u>175,343</u>	<u>21,341</u>	<u>17,234</u>	<u>33,218</u>
	<u>199,423</u>	<u>378,627</u>	<u>361,873</u>	<u>249,727</u>	<u>300,066</u>
Other income and gains					
Bank interest income	1	2	12	10	12
Government grants	–	–	88	88	–
Others	<u>59</u>	<u>–</u>	<u>7</u>	<u>1</u>	<u>11</u>
	<u>60</u>	<u>2</u>	<u>107</u>	<u>99</u>	<u>23</u>

Revenue from contracts with customers*Performance obligation**Construction services*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of issuance of payment certificate. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Included in the revenue recognised in each of the years ended 31 March 2016, 2017 and 2018, and the nine months ended 31 December 2017 and 2018, HK\$520,000, HK\$31,000, HK\$147,000, HK\$147,000 and HK\$548,000, respectively, were related to performance obligations satisfied in prior periods.

Unsatisfied performance obligations related to construction contracts:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Expected to be recognised within one year	245,899	135,799	302,499	203,304	396,205
Expected to be recognised after one year	<u>23,434</u>	<u>74,073</u>	<u>46,858</u>	<u>169,941</u>	<u>327,050</u>
Total transaction price allocated to the unsatisfied performance obligations as of year/period end	<u>269,333</u>	<u>209,872</u>	<u>349,357</u>	<u>373,245</u>	<u>723,255</u>

The remaining performance obligations expected to be recognised after one year relate to construction services that are to be satisfied within three years. All other remaining performance obligations are expected to be recognised within one year. The amount disclosed above do not include variable consideration which is constrained.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	Year ended 31 March			Nine months ended 31 December	
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Contract costs		171,942	349,088	308,471	210,217	254,532
Depreciation	13	159	152	264	109	226
Auditors' remuneration		50	50	50	38	38
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))						
Wages and salaries*		4,243	6,754	6,165	4,653	6,440
Pension scheme contributions*		175	217	237	174	216
Other benefits*		895	568	941	605	452
		<u>5,313</u>	<u>7,539</u>	<u>7,343</u>	<u>5,432</u>	<u>7,108</u>
Minimum lease payments under operating leases		4,500	10,617	5,695	4,666	4,693
Losses on disposal of items of property, plant and equipment**		39	–	7	7	–
Government grants***		–	–	(88)	(88)	–

* For the years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2017 and 2018, wages and salaries of HK\$2,061,000, HK\$3,063,000, HK\$3,019,000, HK\$2,288,000 and HK\$2,903,000, pension scheme contributions of HK\$133,000, HK\$118,000, HK\$117,000, HK\$85,000 and HK\$100,000, and other benefits of HK\$417,000, HK\$407,000, HK\$635,000, HK\$435,000 and HK\$397,000, respectively, are included in contract costs disclosed above.

** The losses on disposal of items of property, plant and equipment are included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

*** Grants have been received from the Government of the Hong Kong Special Administrative Region mainly for disposing diesel powered vehicle. There were no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Interest on finance lease	1	–	–	–	–
Interest on bank loans	102	804	591	459	630
	<u>103</u>	<u>804</u>	<u>591</u>	<u>459</u>	<u>630</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors prior to 24 July 2018, date of incorporation of the Company.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	1,473	1,906	2,562	2,082	1,621
Pension scheme contributions	36	36	36	27	27
	<u>1,509</u>	<u>1,942</u>	<u>2,598</u>	<u>2,109</u>	<u>1,648</u>

2016	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:				
Mr. Ip Chi Ming*	–	771	18	789
Mr. Lau Woon Wing**	–	702	18	720
	<u>–</u>	<u>1,473</u>	<u>36</u>	<u>1,509</u>

* Mr. Ip Chi Ming was appointed as the executive director of the Company with effect from 24 July 2018.

** Mr. Lau Woon Wing was appointed as the executive director of the Company with effect from 24 August 2018.

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2017				
Executive directors:				
Mr. Ip Chi Ming	–	956	18	974
Mr. Lau Woon Wing	–	950	18	968
	–	1,906	36	1,942
2018				
Executive directors:				
Mr. Ip Chi Ming	–	1,316	18	1,334
Mr. Lau Woon Wing	–	1,246	18	1,264
	–	2,562	36	2,598
Nine months ended 31 December 2017 (Unaudited)				
Executive directors:				
Mr. Ip Chi Ming	–	1,016	14	1,030
Mr. Lau Woon Wing	–	1,066	13	1,079
	–	2,082	27	2,109
Nine months ended 31 December 2018				
Executive directors:				
Mr. Ip Chi Ming	–	1,019	14	1,033
Mr. Lau Woon Wing	–	602	13	615
	–	1,621	27	1,648

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period and the nine months ended 31 December 2017.

There was no appointment of non-executive directors and no corresponding remuneration was paid during the Track Record Period and the nine months ended 31 December 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two directors for each of the years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2017 and 2018, details of whose remuneration are set out in note 8 above. Details of the remuneration for remaining three highest paid employees who are neither a director nor chief executive of the Company for each of the years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2017 and 2018 are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	1,645	2,184	1,402	1,028	1,700
Pension scheme contributions	20	32	47	33	41
	<u>1,665</u>	<u>2,216</u>	<u>1,449</u>	<u>1,061</u>	<u>1,741</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2016	2017	2018	2017	2018
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period and the nine months ended 31 December 2017, no emoluments were paid by the Group to the five highest paid employee as an inducement to join or upon joining the Group.

10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the years ended 31 March 2016, 2017 and 2018 and the nine months ended 31 December 2017 and 2018.

Commencing from the year ending 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary (as elected by the directors) are subjected to the two-tiered profit tax rates regime which was effective on 28 March 2019 that the first HK\$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%.

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
				<i>(Unaudited)</i>	
Current – Hong Kong					
Charge for the year/period	3,621	3,597	7,490	5,542	6,009
Deferred (<i>note 21</i>)	15	–	–	–	124
Total tax charge for the year/period	<u>3,636</u>	<u>3,597</u>	<u>7,490</u>	<u>5,542</u>	<u>6,133</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Group's major subsidiary is domiciled to the tax expense at the effective tax rate are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
				<i>(Unaudited)</i>	
Profit before tax	<u>21,708</u>	<u>21,956</u>	<u>44,712</u>	<u>32,744</u>	<u>24,978</u>
Tax at the statutory tax rate	3,582	3,623	7,377	5,403	4,121
Tax reduction for the year/period	(20)	(20)	(30)	–	–
Expenses not deductible for tax	82	1	146	138	2,175
Tax effect of two-tiered profits tax regime	–	–	–	–	(165)
Others	<u>(8)</u>	<u>(7)</u>	<u>(3)</u>	<u>1</u>	<u>2</u>
Tax charge at the Group's effective rate	<u>3,636</u>	<u>3,597</u>	<u>7,490</u>	<u>5,542</u>	<u>6,133</u>

11. DIVIDENDS

During the year ended 31 March 2018 and before the completion of the Reorganisation, a subsidiary of the Group declared interim dividends of HK\$1,300,000 to its then shareholders. Such interim dividends were paid during the year ended 31 March 2018. No dividend has been paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2016				
At 1 April 2015:				
Cost	1,216	195	658	2,069
Accumulated depreciation	<u>(1,175)</u>	<u>(176)</u>	<u>(345)</u>	<u>(1,696)</u>
Net carrying amount	<u>41</u>	<u>19</u>	<u>313</u>	<u>373</u>
At 1 April 2015, net of accumulated depreciation				
	41	19	313	373
Additions	–	82	–	82
Disposals	(38)	(1)	–	(39)
Depreciation provided during the year <i>(note 6)</i>	<u>(1)</u>	<u>(20)</u>	<u>(138)</u>	<u>(159)</u>
At 31 March 2016, net of accumulated depreciation				
	<u>2</u>	<u>80</u>	<u>175</u>	<u>257</u>
At 31 March 2016:				
Cost	19	176	658	853
Accumulated depreciation	<u>(17)</u>	<u>(96)</u>	<u>(483)</u>	<u>(596)</u>
Net carrying amount	<u>2</u>	<u>80</u>	<u>175</u>	<u>257</u>

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2017					
At 1 April 2016:					
Cost	19	176	658	–	853
Accumulated depreciation	(17)	(96)	(483)	–	(596)
Net carrying amount	<u>2</u>	<u>80</u>	<u>175</u>	<u>–</u>	<u>257</u>
At 1 April 2016, net of accumulated depreciation					
	2	80	175	–	257
Additions	8	172	–	36	216
Depreciation provided during the year (<i>note 6</i>)	(1)	(88)	(58)	(5)	(152)
At 31 March 2017, net of accumulated depreciation	<u>9</u>	<u>164</u>	<u>117</u>	<u>31</u>	<u>321</u>
At 31 March 2017:					
Cost	27	348	658	36	1,069
Accumulated depreciation	(18)	(184)	(541)	(5)	(748)
Net carrying amount	<u>9</u>	<u>164</u>	<u>117</u>	<u>31</u>	<u>321</u>

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2018					
At 1 April 2017:					
Cost:	27	348	658	36	1,069
Accumulated depreciation	(18)	(184)	(541)	(5)	(748)
Net carrying amount	<u>9</u>	<u>164</u>	<u>117</u>	<u>31</u>	<u>321</u>
At 1 April 2017, net of accumulated depreciation					
	9	164	117	31	321
Additions	–	–	311	27	338
Disposals	–	–	(7)	–	(7)
Depreciation provided during the year (<i>note 6</i>)	(2)	(66)	(186)	(10)	(264)
At 31 March 2018, net of accumulated depreciation	<u>7</u>	<u>98</u>	<u>235</u>	<u>48</u>	<u>388</u>
At 31 March 2018:					
Cost	27	348	859	63	1,297
Accumulated depreciation	(20)	(250)	(624)	(15)	(909)
Net carrying amount	<u>7</u>	<u>98</u>	<u>235</u>	<u>48</u>	<u>388</u>

	Furniture, fixtures and office equipment <i>HK\$'000</i>	Tools and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2018					
At 1 April 2018:					
Cost:	27	348	859	63	1,297
Accumulated depreciation	<u>(20)</u>	<u>(250)</u>	<u>(624)</u>	<u>(15)</u>	<u>(909)</u>
Net carrying amount	<u>7</u>	<u>98</u>	<u>235</u>	<u>48</u>	<u>388</u>
At 1 April 2018, net of accumulated depreciation	7	98	235	48	388
Additions	62	1,210	–	50	1,322
Depreciation provided during the period (note 6)	<u>(19)</u>	<u>(114)</u>	<u>(81)</u>	<u>(12)</u>	<u>(226)</u>
At 31 December 2018, net of accumulated depreciation	<u>50</u>	<u>1,194</u>	<u>154</u>	<u>86</u>	<u>1,484</u>
At 31 December 2018:					
Cost	89	1,558	859	113	2,619
Accumulated depreciation	<u>(39)</u>	<u>(364)</u>	<u>(705)</u>	<u>(27)</u>	<u>(1,135)</u>
Net carrying amount	<u>50</u>	<u>1,194</u>	<u>154</u>	<u>86</u>	<u>1,484</u>

14. CONTRACT ASSETS/(LIABILITIES)

	Year ended 31 March			As at 31 December
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract assets				
Unbilled revenue	24,422	24,848	39,743	35,990
Retention receivables	<u>22,661</u>	<u>33,188</u>	<u>53,452</u>	<u>62,918</u>
	47,083	58,036	93,195	98,908
Contract liabilities	<u>–</u>	<u>(4,458)</u>	<u>(12,921)</u>	<u>–</u>
	<u>47,083</u>	<u>53,578</u>	<u>80,274</u>	<u>98,908</u>

Movements in contract assets:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
At the beginning of the year/period	43,744	47,083	58,036	93,195
Addition in contract assets	32,863	39,227	58,488	46,774
Transfers to trade receivables	(20,166)	(21,547)	(17,618)	(33,828)
Collection of retention receivables	(9,358)	(6,727)	(5,711)	(7,233)
	<u>47,083</u>	<u>58,036</u>	<u>93,195</u>	<u>98,908</u>
Balance at end of the year/period	<u>47,083</u>	<u>58,036</u>	<u>93,195</u>	<u>98,908</u>

Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the quality and quantity check by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Retention receivables included in contract assets represents the Group's right to consideration for work performed but not yet collectible because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The increase in contract assets as at 31 March 2016, 2017 and 2018 and 31 December 2018 was the result of the increase in the provision of construction services at the end of the year.

Among the above contract assets, HK\$21,162,000, HK\$37,426,000, HK\$53,057,000 and HK\$50,978,000 as at 31 March 2016, 2017 and 2018 and 31 December 2018, respectively, are expected to be recovered after twelve months from the end of the reporting period.

Details of expected credit losses are disclosed in note 31 to the Historical Financial Information.

Movements in contract liabilities:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
At the beginning of the year/period	–	–	4,458	12,921
Billings to/receipts from customers	–	4,458	12,921	–
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	<u>–</u>	<u>–</u>	<u>(4,458)</u>	<u>(12,921)</u>
Balance at end of the year/period	<u>–</u>	<u>4,458</u>	<u>12,921</u>	<u>–</u>

The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration from the customers.

15. TRADE RECEIVABLES

Trade receivables represented receivables for contract work. Management generally submit interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the architect or the consultant of the customer will verify such valuation of works completed and issue an interim payment certificate within 60 days. Within 60 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables based on the progress payment certificate date is as follows:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Within 30 days	30,122	20,029	30,437	31,444
31 to 60 days	–	531	4,343	9,150
60 to 90 days	–	–	–	3,916
Over 90 days	–	–	–	64
	<u>30,122</u>	<u>20,560</u>	<u>34,780</u>	<u>44,574</u>
Impaired	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Details of expected credit losses are disclosed in note 31 to the Historical Financial Information.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		As at 31 March			As at 31
		2016	2017	2018	December
		HK\$'000	HK\$'000	HK\$'000	2018
					HK\$'000
Reimbursable expense	(a)	3,921	4,106	4,145	4,220
Prepayments	(b)	10	–	–	3,726
Others		<u>116</u>	<u>79</u>	<u>133</u>	<u>106</u>
		<u>4,047</u>	<u>4,185</u>	<u>4,278</u>	<u>8,052</u>

(a) The amounts represented costs incurred by the Group for personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The amounts are covered by the main contractors' all risk insurance and are expected to be recovered from main contractors.

(b) As at 31 December 2018, the amounts represented the prepayment for listing expenses and prepayment for purchases of raw materials amounted to HK\$3,330,000 and HK\$396,000, respectively.

Details of expected credit losses are disclosed in note 31 to the Historical Financial Information.

17. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Cash and bank balances	11,901	57,858	63,716	32,869

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. TRADE AND RETENTION PAYABLES

An ageing analysis of the trade and retention payables as at the end of each of the Track Record Period, based on the invoice date or the progress payment certificate date, is as follows:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Within 30 days	19,919	19,637	36,545	25,113
31 to 60 days	20	90	29	114
61 to 90 days	–	–	38	30
Over 90 days	–	–	14	–
	19,939	19,727	36,626	25,257
Retention payables	2,758	2,535	2,073	2,123
	22,697	22,262	38,699	27,380

At 31 March 2016, 2017 and 2018 and 31 December 2018, all retention payables were expected to be settled ranging from one to two years.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

19. OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Accruals	7,774	6,975	3,814	3,295
Other payables	122	95	100	113
	7,896	7,070	3,914	3,408

Other payables are non-interest-bearing and have an average term of two months.

20. INTEREST-BEARING BANK LOANS

	As at 31 March 2016		As at 31 March 2017		As at 31 March 2018		As at 31 December 2018	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
Current								
Bank loans – secured or guaranteed	Prime Lending Rate minus 2.75%	3,193	Prime Lending Rate minus 2.625%, HIBOR plus 2.75%	10,970	HIBOR plus 1.35%-2.75%	33,019	HIBOR plus 1.35%-2.75%	21,219
Bank overdraft		–	Best Lending Rate minus 2.5%	14,362		–		–
		<u>3,193</u>		<u>25,332</u>		<u>33,019</u>		<u>21,219</u>

	As at 31 March			As at 31 December
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	<u>3,193</u>	<u>25,332</u>	<u>33,019</u>	<u>21,219</u>

As further explained in note 31 to the Historical Financial Information, the Group's term loans and bank overdraft with an aggregate amount HK\$3,193,000, HK\$25,332,000, HK\$33,019,000 and HK\$21,219,000 as at 31 March 2016, 2017 and 2018 and 31 December 2018, respectively, containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are:

	As at 31 March			As at 31 December
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed into:				
Within one year or on demand	1,211	25,332	22,427	12,442
In the second year	1,242	–	2,470	2,499
In the third to fifth years, inclusive	740	–	7,683	6,278
Beyond five years	–	–	439	–
	<u>3,193</u>	<u>25,332</u>	<u>33,019</u>	<u>21,219</u>

Notes:

- (a) As at 31 March 2016, the balances of the bank loans amounted to HK\$3,193,000 were guaranteed by The Hong Kong Mortgage Corporation Limited as to HK\$4,800,000 and personal guarantees given by Mr. Ip Chi Yuk and Ms. Chan Wai Ying as to HK\$12,000,000 each.
- (b) As at 31 March 2017, the balances of the bank loans were secured and/or guaranteed as to: (i) HK\$14,362,000 by Mr. Ip Chi Yuk, Ms. Chan Wai Ying, Mr. Ip Chi Hung and Mr. Ip Chi Ming with a total guarantee amount of HK\$50,000,000, a premises held by Mr. Ip Chi Yuk and Ms. Chan Wai Ying and five premises held by Yuk Ying Development Company Limited; (ii) HK\$970,000 by Mr. Ip Chi Yuk and Ms. Chan Wai Ying with a total guarantee amount of HK\$11,500,000; and (iii) HK\$10,000,000 by Mr. Ip Chi Yuk and Ms. Chan Wai Ying with a total guarantee amount of HK\$31,500,000 each and Mr. Ip Chi Ming with a total guarantee amount of HK\$20,000,000.

- (c) As at 31 March 2018, the balances of the bank loans were secured and/or guaranteed as to: (i) HK\$13,019,000 by Mr. Ip Chi Ming and two premises held by Yuk Ying Development Company Limited; and (ii) HK\$20,000,000 by Mr. Ip Chi Yuk and Ms. Chan Wai Ying with a total guarantee amount of HK\$31,500,000 each and Mr. Ip Chi Ming with a total guarantee amount of HK\$20,000,000.
- (d) As at 31 December 2018, the balances of the bank loans were secured and/or guaranteed as to: (i) HK\$11,219,000 by Mr. Ip Chi Ming and two premises held by Yuk Ying Development Company Limited; and (ii) HK\$10,000,000 by Mr. Ip Chi Yuk and Ms. Chan Wai Ying with a total guarantee amount of HK\$31,500,000 each and Mr. Ip Chi Ming with a total guarantee amount of HK\$20,000,000.
- (e) The carrying amounts of the bank loans of the Group approximate to their fair values.
- (f) The Group's bank loans are all denominated in Hong Kong dollars.

21. DEFERRED TAX

The movements in deferred tax liabilities during the Track Record Period are as follows:

	As at 31 March			As at 31 December
	2016	2017	2018	2018
	Accelerated tax depreciation <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April	21	36	36	36
Deferred tax charged to profit or loss during the year/period (<i>note 10</i>)	15	–	–	124
At the end of the year/period	<u>36</u>	<u>36</u>	<u>36</u>	<u>160</u>

22. SHARE CAPITAL

The Company was incorporated on 24 July 2018 with initial authorised share capital of 38,000,000 shares at a par value of HK\$0.01. On the date of incorporation, 1 ordinary share of HK\$0.01 was allotted and issued by the Company.

There was no authorised and issued capital as at 31 March 2016, 2017 and 2018 since the Company has not yet been incorporated by that time.

Changes in share capital of the Company due to the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

23. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for each of the Track Record Period and the nine months ended 31 December 2017 are presented in the consolidated statements of changes in equity on page I-7.

(b) Merger reserve

For the purpose of the preparation of the consolidated statements of financial position, the balance of merger reserve at 31 March 2016, 2017 and 2018 and 31 December 2018 represents the aggregate of the paid-up share capital of the subsidiaries now comprising the Group.

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Interest -bearing bank loans <i>HK\$'000</i>	Finance lease payables <i>HK\$'000</i>	Due to related parties <i>HK\$'000</i>
At 1 April 2015	4,375	189	211
Changes from financing cash flows	<u>(1,182)</u>	<u>(189)</u>	<u>11,009</u>
At 31 March 2016 and 1 April 2016	3,193	–	11,220
Changes from financing cash flows	<u>7,777</u>	<u>–</u>	<u>23</u>
At 31 March 2017 and 1 April 2017	10,970	–	11,243
Changes from financing cash flows	<u>22,049</u>	<u>–</u>	<u>(9,281)</u>
At 31 March 2018 and 1 April 2018	<u>33,019</u>	<u>–</u>	<u>1,962</u>
Changes from financing cash flows	<u>(11,800)</u>	<u>–</u>	<u>(1,962)</u>
At 31 December 2018	<u>21,219</u>	<u>–</u>	<u>–</u>
At 1 April 2017	10,970	–	11,243
Changes from financing cash flows (unaudited)	<u>2,644</u>	<u>–</u>	<u>(9,341)</u>
At 31 December 2017 (unaudited)	<u>13,614</u>	<u>–</u>	<u>1,902</u>

25. CONTINGENT LIABILITIES**Claims of personal injuries**

In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

26. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to two years.

As at 31 March 2016, 2017 and 2018 and 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Within one year	295	298	314	314
In the second to fifth years, inclusive	258	314	275	39
	<u>553</u>	<u>612</u>	<u>589</u>	<u>353</u>

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments at the end of each of the Track Record Period:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Contracted, but not provided for:				
Tools and equipment	–	–	–	3,062
	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,062</u>

28. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Mr. Ip Chi Ming	Director of the Company
Mr. Ip Chi Yuk	Father of Mr. Ip Chi Ming
Ms. Chan Wai Ying	Mother of Mr. Ip Chi Ming
Mr. Ip Chi Hung	Brother of Mr. Ip Chi Ming
Hop Fat Structural Steel Engineering Company Limited	A company controlled by Mr. Ip Chi Hung
Silver Tide Enterprises Limited	Ultimate holding company of the Company
Yuk Ying Development Company Limited	A company controlled by Mr. Ip Chi Yuk and Ms. Chan Wai Ying

(b) Transactions with related parties:

- (i) During the Track Record Period and the nine months ended 31 December 2017, the Group entered into the following transactions with its related parties:

Name	Nature of transaction	Year ended 31 March			Nine months ended 31 December	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Yuk Ying Development Company Limited	Rental expense*	216	–	–	–	–
		<u>216</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(Unaudited)

* The rental expense was paid according to the negotiation contract price of HK\$18,000 per month mutually agreed by the Group and the related party.

(ii) Details of bank loans secured or guaranteed by related parties were disclosed in note 20 to the Historical Financial Information.

(c) **Outstanding balances with related parties:**

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due from/to related parties at 31 March 2016, 2017 and 2018 and 31 December 2018, respectively.

Due from a director:

Name	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Mr. Ip Chi Ming	447	2,303	5,409	–

The amount due from a director was non-trade, unsecured, interest-free and repayable on demand.

Due from related parties:

Name	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Mr. Ip Chi Yuk	1,739	–	–	–
Mr. Ip Chi Hung	35	–	–	–
Silver Tide Enterprises Limited	–	–	–	55
	<u>1,774</u>	<u>–</u>	<u>–</u>	<u>55</u>

The amounts due from related parties were non-trade, unsecured, interest-free and repayable on demand.

Due to related parties:

Name	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
Ms. Chan Wai Ying	1,066	–	–	–
Yuk Ying Development Company Limited	46	–	–	–
Hop Fat Structural Steel Engineering Company Limited	10,108	11,243	1,962	–
	<u>11,220</u>	<u>11,243</u>	<u>1,962</u>	<u>–</u>

The amounts due to related parties were non-trade, unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	As at 31 March			As at 31 December	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,632	2,196	2,908	2,352	2,894
Pension scheme contributions	44	49	51	38	64
	<u>1,676</u>	<u>2,245</u>	<u>2,959</u>	<u>2,390</u>	<u>2,958</u>

The above compensation of key management personnel includes the directors' and chief executive's remuneration, details of which are set out in note 8 to the Historical Financial Information.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

Financial assets:

	Financial assets at amortised cost			
	As at 31 March			As at 31 December
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	30,122	20,560	34,780	44,574
Financial assets included in prepayments, other receivables and other assets	4,037	4,185	4,278	4,326
Due from a director	447	2,303	5,409	–
Due from related parties	1,774	–	–	55
Cash and cash equivalents	<u>11,901</u>	<u>57,858</u>	<u>63,716</u>	<u>32,869</u>
	<u>48,281</u>	<u>84,906</u>	<u>108,183</u>	<u>81,824</u>

Financial liabilities:

	Financial liabilities at amortised cost			
	As at 31 March			As at 31 December
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and retention payables	22,697	22,262	38,699	27,380
Financial liabilities included in other payables and accruals	122	95	100	113
Due to related parties	11,220	11,243	1,962	–
Interest-bearing bank loans	<u>3,193</u>	<u>25,332</u>	<u>33,019</u>	<u>21,219</u>
	<u>37,232</u>	<u>58,932</u>	<u>73,780</u>	<u>48,712</u>

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, due from a director, due from related parties, financial assets included in prepayments, other receivables and other assets, trade and retention payables, due to related parties, financial liabilities included in other payables and accruals and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 31 March 2016, 2017 and 2018 and 31 December 2018 were assessed to be insignificant.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank loans and overdrafts, cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. It is the Group's policy to keep certain borrowings at floating rates of interest so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
31 March 2016			
HK\$	100	(32)	—
HK\$	(100)	32	—
31 March 2017			
HK\$	100	(253)	—
HK\$	(100)	253	—
31 March 2018			
HK\$	100	(330)	—
HK\$	(100)	330	—
31 December 2018			
HK\$	100	(212)	—
HK\$	(100)	212	—

* Excluding retained profits.

Credit risk

The Group's credit risk is primarily attributable to contract assets, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from a director and related parties and cash and bank balances. The Group's maximum credit risk exposure at the end of each of the Track Record Period in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the consolidated statements of financial position.

Management monitors the creditworthiness and payment patterns of each debtor closely and on an ongoing basis. The Group's trade receivables from contract work represent interim billings certified by the customers under terms as stipulated in the contracts. As the Group's customers in respect of contract work primarily consist of main contractors in the construction industry, property developers or owners with strong financial backgrounds, management considers that the risk of irrecoverable receivables from contract work is not significant.

The following table demonstrates the concentrations of credit risk of the total trade receivables which were due from the Group's largest external debtor and the Group's five largest external debtors, respectively.

	As at 31 March			As at 31 December
	2016	2017	2018	2018
	%	%	%	%
Percentage of total trade receivables due from:				
Group's largest external debtor	54.9	52.4	35.8	45.3
Group's five largest external debtors	<u>100.0</u>	<u>100</u>	<u>94.9</u>	<u>88.3</u>

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the Historical Financial Information.

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. With the incorporation of forward-looking information in the ECLs, management considered that the expected credit loss rate for the Group's trade receivables and contract assets is minimal and therefore no provision for impairment of trade receivables and contract assets is necessary as at 31 March 2016, 2017 and 2018 and 31 December 2018.

For financial assets included in other receivables, balances due from a director and related parties (the "Other Financial Assets"), the Group applied the general approach to provide for impairment for ECLs prescribed by HKFRS 9. None of the Other Financial Assets as at 31 March 2016, 2017 and 2018 and 31 December 2018 were overdue, and all balances were categorised within Stage 1 for the measurement of expected credit losses. An impairment analysis is performed throughout the Track Record Period, which are estimated by applying the probability of default approach with reference to the risks of default of the debtors or comparable companies. Management considered that the expected credit loss rate for the Group's Other Financial Assets is minimal and therefore no provision for impairment of Other Financial Assets was made as at 31 March 2016, 2017 and 2018 and 31 December 2018.

Maximum exposure

The table below shows the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2016, 2017 and 2018 and 31 December 2018.

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Lifetime ECLs and simplified approach:				
Contract assets	47,083	58,036	93,195	98,908
Trade receivables	30,122	20,560	34,780	44,574
	<u>77,205</u>	<u>78,596</u>	<u>127,975</u>	<u>143,482</u>
	As at 31 March			As at 31
	2016	2017	2018	December
	Stage 1	Stage 1	Stage 1	2018
	HK\$'000	HK\$'000	HK\$'000	Stage 1
				HK\$'000
12-month ECLs:				
Due from director – Normal*	447	2,303	5,409	–
Due from related parties – Normal*	1,774	–	–	55
Financial assets included in prepayments, other receivables and other assets – Normal*	4,037	4,185	4,278	4,326
Cash and cash equivalents	11,901	57,858	63,716	32,869
	<u>18,159</u>	<u>64,346</u>	<u>73,403</u>	<u>37,250</u>
	<u>95,364</u>	<u>142,942</u>	<u>201,378</u>	<u>180,732</u>

- * The credit quality of these financial assets were considered to be “normal” when they are not past due and there were no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets were considered to be “doubtful”.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments, is as follows:

	As at 31 March 2016			Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	
Interest-bearing bank loans (<i>note</i>)	3,193	–	–	3,193
Due to related parties	11,220	–	–	11,220
Trade and retention payables	2,758	19,939	–	22,697
Financial instruments included in other payables and accruals	–	69	53	122
	<u>17,171</u>	<u>20,008</u>	<u>53</u>	<u>37,232</u>
	As at 31 March 2017			Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	
Interest-bearing bank loans (<i>note</i>)	25,332	–	–	25,332
Due to related parties	11,243	–	–	11,243
Trade and retention payables	2,535	19,727	–	22,262
Financial instruments included in other payables and accruals	42	–	53	95
	<u>39,152</u>	<u>19,727</u>	<u>53</u>	<u>58,932</u>
	As at 31 March 2018			Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	
Interest-bearing bank loans (<i>note</i>)	33,019	–	–	33,019
Due to related parties	1,962	–	–	1,962
Trade and retention payables	2,073	36,626	–	38,699
Financial instruments included in other payables and accruals	–	47	53	100
	<u>37,054</u>	<u>36,673</u>	<u>53</u>	<u>73,780</u>

	As at 31 December 2018			Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	
Interest-bearing bank loans (<i>note</i>)	21,219	–	–	21,219
Trade and retention payables	2,123	25,257	–	27,380
Financial instruments included in other payables and accruals	–	60	53	113
	<u>23,342</u>	<u>25,317</u>	<u>53</u>	<u>48,712</u>

Note:

As at 31 March 2016, 2017 and 2018 and 31 December 2018, included in interest-bearing bank loans are term loans and bank overdraft with an aggregate carrying amount of HK\$3,193,000, HK\$25,332,000, HK\$33,019,000 and HK\$21,219,000, respectively. The respective loan agreements of these term loans contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors do not believe that the related loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the Historical Financial Information; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

	As at 31 March			As at 31 December
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2018 HK\$'000
Within one year or on demand	1,278	26,490	23,388	13,172
In the second year	1,278	–	2,640	2,672
In the third to fifth years, inclusive	745	–	7,921	6,458
Beyond five years	–	–	440	–
	<u>3,301</u>	<u>26,490</u>	<u>34,389</u>	<u>22,302</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as raising new debts. The Group's overall strategy remained unchanged during the Track Record Period.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by the equity attributable to owners of the parent. Net debt includes total interest-bearing bank loans and due to related parties, net of cash and bank balances. The net debt to equity ratios as at the end of each of the Track Record Period were as follows:

	As at 31 March			As at 31
	2016	2017	2018	December
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Interest-bearing bank loans	3,193	25,332	33,019	21,219
Due to related parties	11,220	11,243	1,962	–
Less: Cash and cash equivalents	<u>11,901</u>	<u>57,858</u>	<u>63,716</u>	<u>32,869</u>
Net cash and bank balances	<u>2,512</u>	<u>(21,283)</u>	<u>(28,735)</u>	<u>(11,650)</u>
Equity attributable to owners of the parent	<u>51,744</u>	<u>70,103</u>	<u>106,025</u>	<u>124,870</u>
Net debt to equity ratio	<u>4.9%</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Share Offer on our consolidated net tangible assets as of 31 December 2018 as if it had taken place on 31 December 2018.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as of 31 December 2018 or any future date. It is prepared based on our consolidated net tangible assets as of 31 December 2018 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 31 December 2018	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on an Offer Price of HK\$0.50 per share	<u>124,870</u>	<u>99,665</u>	<u>224,535</u>	<u>0.22</u>
Based on an Offer Price of HK\$0.54 per share	<u>124,870</u>	<u>108,865</u>	<u>233,735</u>	<u>0.23</u>

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2018 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 31 December 2018 of approximately HK\$124.9 million.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.50 per Share or HK\$0.54 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately HK\$12.9 million which have been charged to profit or loss up to 31 December 2018).
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.



22/F, CITIC Tower,
1 Tim Mei Avenue Central,
Hong Kong

To the Directors of Silver Tide Holdings Limited,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Silver Tide Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2018, and related notes as set out on pages II-1 and II-2 of the prospectus dated 18 June 2019 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the notes thereto.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the public offer and placing of shares of the Company (the “Share Offer”) on the Group’s financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2018, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 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 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 Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

18 June 2019

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

The following is the preliminary financial information of our Group as of and for the year ended 31 March 2019 (the “2019 Preliminary Financial Information”), together with comparative financial information as of and for the year ended 31 March 2018 and a discussion of changes in our financial condition and results of operations between the two periods. The 2019 Preliminary Financial Information does not constitute the consolidated financial statements of the Group for the year ended 31 March 2019 but is extracted from those financial statements. The 2019 Preliminary Financial Information was not audited. Investors should bear in mind that the 2019 Preliminary Financial Information in this appendix may be subject to adjustments.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March	
		2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
REVENUE	4	361,873	399,875
Cost of sales		<u>(308,471)</u>	<u>(335,360)</u>
Gross profit		53,402	64,515
Other income and gains	4	107	35
Administrative expenses		(8,199)	(25,893)
Other expenses		(7)	–
Finance costs	5	<u>(591)</u>	<u>(809)</u>
PROFIT BEFORE TAX	6	44,712	37,848
Income tax expense	7	<u>(7,490)</u>	<u>(8,515)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>37,222</u></u>	<u><u>29,333</u></u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March	
		2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		388	4,948
CURRENT ASSETS			
Contract assets		93,195	105,902
Trade receivables	<i>10</i>	34,780	42,418
Due from a director		5,409	–
Due from a related party		–	55
Prepayments, other receivables and other assets		4,278	13,558
Cash and cash equivalents		63,716	36,126
Total current assets		201,378	198,059
CURRENT LIABILITIES			
Contract liabilities		12,921	–
Trade and retention payables	<i>11</i>	38,699	28,528
Due to a related party		1,962	–
Other payables and accruals		3,914	5,546
Interest-bearing bank loans		33,019	30,613
Tax payables		5,190	2,432
Total current liabilities		95,705	67,119
NET CURRENT ASSETS		105,673	130,940
TOTAL ASSETS LESS CURRENT LIABILITIES		106,061	135,888
NON-CURRENT LIABILITIES			
Deferred tax liabilities		36	530
Net assets		106,025	135,358
EQUITY			
Equity attributable to owners of the parent			
Share capital		–	–
Reserves		106,025	135,358
Total equity		106,025	135,358

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE 2019 PRELIMINARY FINANCIAL INFORMATION

1.1 BASIS OF PRESENTATION

Pursuant to the reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 5 September 2018. As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substance, this financial information has been presented as a continuation of the existing companies using the pooling of interests method as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group are prepared as if the current group structure had been in existence throughout the reporting period. The consolidated statement of financial position as at 31 March 2018 and 2019 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date. All intragroup transactions and balances have been eliminated on combination.

1.2 BASIS OF PREPARATION

The 2019 Preliminary Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”). The accounting policies used in the preparation of the 2019 Preliminary Financial Information are consistent with those used in Accountants’ Report as set out in Note 2.4 in “Appendix I – Accountants’ Report”.

The 2019 Preliminary Financial Information has been prepared under the historical cost convention and are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective.

Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's results and financial position.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of construction services in Hong Kong.

The information reported to the directors of the Group, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

No geographical information is presented as the Group's revenue was solely derived from customers and operations based in Hong Kong and the non-current assets of the Group were all located in Hong Kong.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	Year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>
Customer I	85,820	N/A*
Customer II	133,197	67,508
Customer III	42,272	64,818
Customer IV	N/A*	135,543

* Less than 10% of the Group's revenue in the respective year.

Except for the aforesaid, no other single external customer accounted for 10% or more of the Group's revenue.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

4. REVENUE, OTHER INCOME AND GAINS

All revenue is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
<u>Revenue from contracts with customers</u>		
Construction services		
Private sector	340,532	348,480
Public sector	21,341	51,395
	<u>361,873</u>	<u>399,875</u>
 <u>Other income and gains</u>		
Bank interest income	12	24
Government grants	88	–
Others	7	11
	<u>107</u>	<u>35</u>

Unsatisfied performance obligations related to construction contracts:

	Year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
Expected to be recognised within one year	302,499	465,744
Expected to be recognised after one year	46,858	225,017
	<u>349,357</u>	<u>690,761</u>
Total transaction price allocated to the unsatisfied performance obligations as of year end	<u>349,357</u>	<u>690,761</u>

The remaining performance obligations expected to be recognised after one year relate to construction services that are to be satisfied within three years. All other remaining performance obligations are expected to be recognised within one year. The amount disclosed above do not include variable consideration which is constrained.

5. FINANCE COSTS

	Year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
Interest on bank loans	591	809
	<u>591</u>	<u>809</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>
Contract costs	308,471	335,360
Depreciation	264	577
Auditors' remuneration	50	1,600
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	7,106	8,973
Pension scheme contributions	<u>237</u>	<u>291</u>
	<u>7,343</u>	<u>9,264</u>
Minimum lease payments under operating leases	5,695	5,786
Losses on disposal of items of property, plant and equipment	7	–
Government grants*	<u>(88)</u>	<u>–</u>

* Grants had been received from the Government of the Hong Kong Special Administrative Region mainly for disposing diesel powered vehicle. There were no unfulfilled conditions or contingencies relating to these grants.

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2019.

Commencing from the year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary (as elected by the directors) are subjected to the two-tiered profit tax rates regime which was effective on 28 March 2019 that the first HK\$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%.

	Year ended 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>
Current – Hong Kong		
Charge for the year	7,490	8,021
Deferred	<u>–</u>	<u>494</u>
Total tax charge for the year	<u>7,490</u>	<u>8,515</u>

8. DIVIDENDS

The Board did not recommend the payment of dividend in respect of profit for the year ended 31 March 2019 (2018: Nil).

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this 2019 Preliminary Financial Information, is not considered meaningful due to the Group Reorganisation and the basis of presentation as further explained in Note 1.1 to the 2019 Preliminary Financial Information.

10. TRADE RECEIVABLES

Trade receivables represented receivables for contract works. Management generally submit interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the architect or the consultant of the customer will verify such valuation of works completed and issue an interim payment certificate within 60 days. Within 60 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables based on the progress payment certificate date is as follows:

	As at 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
Within 30 days	30,437	33,277
31 to 60 days	4,343	6,184
61 to 90 days	–	2,093
Over 90 days	–	864
	<u>34,780</u>	<u>42,418</u>
Impaired	<u>–</u>	<u>–</u>

11. TRADE AND RETENTION PAYABLES

An ageing analysis of the trade and retention payables as at the end of the reporting period, based on the invoice date or the progress payment certificate date, is as follows:

	As at 31 March	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
Within 30 days	36,545	28,183
31 to 60 days	29	99
61 to 90 days	38	4
Over 90 days	14	–
	<u>36,626</u>	<u>28,286</u>
Retention payables	<u>2,073</u>	<u>242</u>
	<u>38,699</u>	<u>28,528</u>

At 31 March 2019 and 2018, all retention payables were expected to be settled ranging from one to two years.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

BUSINESS REVIEW AND OUTLOOK

Our Group is a subcontractor in the construction industry mainly providing formwork works services to both the public and private sectors in Hong Kong. The formwork works undertaken by our Group mainly include (i) traditional formwork using timber and plywood; and (ii) system formwork using aluminium and steel. Upon our customers' request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering.

Our revenue increased by approximately 10.5% from approximately HK\$361.9 million for the year ended 31 March 2018 (“FY2017/18”) to approximately HK\$399.9 million for the year ended 31 March 2019 (“FY2018/19”). Our gross profit also increased by approximately 20.8% from approximately HK\$53.4 million for FY2017/18 to approximately HK\$64.5 million for FY2018/19. On the other hand, our profit and total comprehensive income for the year attributable to owners of our Company decreased by approximately 21.2% from approximately HK\$37.2 million for FY2017/18 to approximately HK\$29.3 million for FY2018/19.

As Hop Fat Yuk Ying is registered under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) maintained by the Construction Industry Council under the category of “Concreting Formwork”, we are able to perform both traditional and system formwork works to fulfil the design requirements and the needs of our customers. The ability to perform both types of formwork works enables us to tender for more formwork works projects, which will in turn increase our business opportunities. With our established formwork works experience, our Directors believe we are well positioned to expand our market share in the formwork works industry in Hong Kong and are capable to compete for sizable and profitable formwork works projects.

Going forward, we intend to expand our formwork works capacity by investing more capital to conduct our projects, sourcing and cooperating with new subcontractors which are highly skilled and experienced, recruiting additional labour with experience to work on site and providing professional trainings to our employees. Our Directors consider that taking on more large scale jobs would lessen our overall costs in the management of the workers arranged by our subcontractors, further strengthen our market reputation, and increase our competitiveness in the formwork works industry. In addition, we also intend to acquire more metal scaffold equipment so as to reduce our reliance on external metal scaffold equipment suppliers, enhance the efficiency and effectiveness in completing our projects on time, enable us to control the quality of the metal scaffold equipment and reduce the risk of accidents.

To the best of our Directors' knowledge, save for the expenses in connection with the Listing, there has been no material adverse change in our financial or trading position or prospects since 31 March 2019 up to the Latest Practicable Date.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
OPERATION RESULTS**

Analysis of key items of results of operations

Revenue

Our revenue increased from approximately HK\$361.9 million for FY2017/18 to approximately HK\$399.9 million for FY2018/19, representing an increase of approximately 10.5%. Such increase was mainly due to:

- (i) we derived substantial revenue of approximately HK\$122.3 million for FY2018/19 (FY2017/18: nil) from a project with an initial contract sum of approximately HK\$142.2 million that commenced in April 2018 (“**Project A**”);
- (ii) partially offset by a decrease in revenue derived from projects which contributed revenue for FY2017/18 and FY2018/19.

Cost of sales

Our cost of sales increased from approximately HK\$308.5 million for FY2017/18 to approximately HK\$335.4 million for FY2018/19, representing an increase of approximately 8.7%, which was less than the increase in our revenue of approximately 10.5% (and thus resulted in higher gross profit margin). Our cost of sales mainly include subcontracting charges, construction materials and consumables costs, rental charges and direct staff costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. This is because depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

The following is a discussion of the changes in the key components of our cost of sales for FY2018/19 compared to FY2017/18:

- (i) Our subcontracting charges increased from approximately HK\$255.7 million for FY2017/18 to approximately HK\$261.8 million for FY2018/19, representing an increase of approximately 2.4%. Such increase was primarily due to the increase in amount of works outsourced to subcontractors as a result of the increase in our revenue for FY2018/19 as discussed above.
- (ii) Our construction materials and consumables costs increased from approximately HK\$32.1 million for FY2017/18 to approximately HK\$59.8 million for FY2018/19, representing an increase of approximately 86.3%. Such increase was mainly due to (i) the increase in amount of construction materials and consumables required as a result of the increase in our revenue for FY2018/19 as discussed above; and (ii) substantial amount of construction materials and consumables of

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

approximately HK\$25.1 million was purchased by our Group in relation to Project A during FY2018/19 as the project was in the early stages and we normally procure construction materials upfront in the early stages of a project.

- (iii) Our rental charges remained relatively stable at approximately HK\$5.4 million and HK\$5.5 million for FY2017/18 and FY2018/19, respectively. Despite an increase in revenue for FY2018/19, rental charges remained relatively stable because we recorded a relatively higher amount of rental charges for a sizeable project with an initial contract sum of approximately HK\$177.0 million (“**Project B**”). As the revenue derived from Project B for FY2018/19 was lower than that for FY2017/18, our rental charges remained relatively stable for FY2018/19 compared to that for FY2017/18. Our Directors consider that the demand for metal scaffold equipment of Project B was relatively greater compared to our other projects was mainly because the customer of Project B required us to use a non-standard construction process when undertaking the construction works, and such construction process required different metal scaffold equipment of higher unit rental price and hence a higher rental charges for metal scaffold equipment.
- (iv) Our direct staff costs increased from approximately HK\$3.8 million for FY2017/18 to approximately HK\$4.4 million for FY2018/19, representing an increase of approximately 15.8%. Such increase was mainly due to (i) the hiring of a site supervisor in November 2017 which we incurred a higher amount of staff costs regarding such site supervisor for FY2018/19 compared to FY2017/18; and (ii) the hiring of site supervisors subsequent to 31 March 2018 to cater for our overall business growth.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2017/18 and FY2018/19 respectively were as follows:

	FY2017/18	FY2018/19
Revenue (<i>HK\$'000</i>)	361,873	399,875
Gross profit (<i>HK\$'000</i>)	53,402	64,515
Gross profit margin	14.8%	16.1%

Our gross profit increased from approximately HK\$53.4 million for FY2017/18 to approximately HK\$64.5 million for FY2018/19, representing an increase of approximately 20.8%. The increase in our gross profit was mainly due to the increase in our revenue during FY2018/19 as discussed above. Our gross profit margin increased from approximately 14.8% for FY2017/18 to approximately 16.1% for FY2018/19. Such increase was mainly due to a residential development in Deep Water Bay Drive at Deep Water Bay (project P35 as disclosed in the paragraph headed “Business – Our projects – Projects on hand” in this prospectus) which commenced in July 2018 and recorded a high gross profit margin for FY2018/19. Project P35 relates to additional works to one of our other project completed

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

during the Track Record Period (project P11 as disclosed in the paragraph headed “Business – Our projects – Projects completed during the Track Record Period” in this prospectus). Our Directors consider that since we were the previous contractor undertaking the works for project P11, the relevant customer would prefer to award the tender for project P35 despite a higher profit margin factored in the tender submitted for the relevant project.

Other income and gains

Our other income decreased from approximately HK\$107,000 for FY2017/18 to approximately HK\$35,000 for FY2018/19. Such decrease was mainly because we did not receive any government grants during FY2018/19 (FY2017/18: approximately HK\$88,000).

Administrative expenses

Our administrative expenses increased from approximately HK\$8.2 million for FY2017/18 to approximately HK\$25.9 million for FY2018/19, representing an increase of approximately 215.9%. Such increase was mainly due to the non-recurring listing expenses of approximately HK\$14.3 million incurred for FY2018/19 (FY2017/18: nil).

Finance costs

Our finance costs increased from approximately HK\$591,000 for FY2017/18 to approximately HK\$809,000 for FY2018/19. Such increase was mainly due to relatively higher amount of interest-bearing bank loans taken out by our Group during FY2018/19 compared to FY2017/18.

Income tax expense

Our income tax expenses increased from approximately HK\$7.5 million for FY2017/18 to approximately HK\$8.5 million for FY2018/19. Such increase was mainly due to the tax effect of the non-deductible listing expenses incurred during FY2018/19 despite a lower amount of our profit before tax for FY2018/19 compared to FY2017/18.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the recognition of listing expenses during FY2018/19 and the tax effect of the non-deductible listing expenses as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company decreased from approximately HK\$37.2 million for FY2017/18 to approximately HK\$29.3 million for FY2018/19, representing a decrease of approximately 21.2%.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

Analysis of key items of financial position

Net current assets

The following table sets forth a breakdown of our Group's current assets and current liabilities as at the dates indicated:

	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
CURRENT ASSETS		
Contract assets	93,195	105,902
Trade receivables	34,780	42,418
Due from a director	5,409	–
Due from a related party	–	55
Prepayments, other receivables and other assets	4,278	13,558
Cash and cash equivalents	63,716	36,126
Total current assets	201,378	198,059
CURRENT LIABILITIES		
Contract liabilities	12,921	–
Trade and retention payables	38,699	28,528
Due to a related party	1,962	–
Other payables and accruals	3,914	5,546
Interest-bearing bank loans	33,019	30,613
Tax payables	5,190	2,432
Total current liabilities	95,705	67,119
NET CURRENT ASSETS	105,673	130,940

As at 31 March 2019, our net current assets amounted to approximately HK\$130.9 million, which was higher than our net current assets of approximately HK\$105.7 million as at 31 March 2018. Such increase was mainly because we did not record any contract liabilities as at 31 March 2019 (as at 31 March 2018: approximately HK\$12.9 million) as a result of the satisfaction of our performance obligation under the relevant contract with our customer and our profitable operation during FY2018/19.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

Contract assets

Our Group's contract assets are analysed as follows:

	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Unbilled revenue	39,743	43,620
Retention receivables	53,452	62,282
 Total	 93,195	 105,902

Retention receivables

Our retention receivables increased from approximately HK\$53.5 million as at 31 March 2018 to approximately HK\$62.3 million as at 31 March 2019.

The increase in retention receivables of approximately HK\$8.8 million during FY2018/19 was primarily attributable to the increase in retention receivables withheld for projects brought forward from the prior reporting period (for example, we recorded retention receivables of approximately HK\$9.1 million for project P18 (project P18 as disclosed in the paragraph headed "Business – Our projects – Projects on hand" in this prospectus) as at 31 March 2019 (as at 31 March 2018: approximately HK\$9.0 million)) and new projects that commenced during FY2018/19 (for example, we recorded retention receivables of approximately HK\$7.1 million for project P31 (project P31 as disclosed in the section headed "Business – Our projects – Projects on hand" in this prospectus) as at 31 March 2019 (as at 31 March 2018: nil)).

Unbilled revenue

Our unbilled revenue increased from approximately HK\$39.7 million as at 31 March 2018 to approximately HK\$43.6 million as at 31 March 2019. Such increase was mainly due to addition of unbilled revenue of approximately HK\$38.9 million during FY2018/19, which was greater than the amount of unbilled revenue transferred to trade receivables of approximately HK\$35.0 million during the same period.

Trade Receivables

Our trade receivables increased from approximately HK\$34.8 million as at 31 March 2018 to approximately HK\$42.4 million as at 31 March 2019. Such increase was in line with the increase in our revenue as a result of continued business growth and partly due to the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets increased from approximately HK\$4.3 million as at 31 March 2018 to approximately HK\$13.6 million as at 31 March 2019. Such increase was mainly because we recorded prepayment of listing expenses of approximately HK\$3.7 million as at 31 March 2019 (as at 31 March 2018: nil) and prepayment to suppliers of approximately HK\$5.2 million as at 31 March 2019 (as at 31 March 2018: nil).

Contract liabilities

We did not record any contract liabilities as at 31 March 2019 (as at 31 March 2018: approximately HK\$12.9 million) as we have satisfied our performance obligation under the relevant contract with our customer during FY2018/19.

Trade and retention payables

Our trade and retention payables as at 31 March 2018 and 2019 amounted to approximately HK\$38.7 million and HK\$28.5 million respectively. The following table sets forth a breakdown of our trade and retention payables:

	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Trade payables	36,626	28,286
Retention payables	2,073	242
Total	38,699	28,528

Trade payables

Our trade payables decreased from approximately HK\$36.6 million as at 31 March 2018 to approximately HK\$28.3 million as at 31 March 2019. Such decrease was mainly due to our Group incurred a lower amount of cost of sales of approximately HK\$31.8 million for the one month ended 31 March 2019 (one month ended 31 March 2018: approximately HK\$34.8 million).

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals:

	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Accruals	3,814	4,752
Other payables	<u>100</u>	<u>794</u>
Total	<u>3,914</u>	<u>5,546</u>

Accruals

Our accruals increased from approximately HK\$3.8 million as at 31 March 2018 to approximately HK\$4.8 million as at 31 March 2019. Such increase was mainly due to we recorded (i) accrued audit fee of HK\$1.6 million as at 31 March 2019 (as at 31 March 2018: nil); and (ii) accrued listing expense of approximately HK\$1.6 million as at 31 March 2019 (as at 31 March 2018: nil), partially offset by the net decrease in accrued cost charged by our customers (e.g. rectification works performed by resources arranged by our customers) by approximately HK\$2.7 million during FY2018/19.

Indebtedness

The following table sets forth our Group's indebtedness as at the respective dates indicated:

	As at 31 March 2018 HK\$'000	As at 31 March 2019 HK\$'000
Current:		
Amount due to related parties	1,962	–
Interest-bearing bank loans	<u>33,019</u>	<u>30,613</u>
	<u>34,981</u>	<u>30,613</u>
Non-current:	<u>–</u>	<u>–</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019**

Interest-bearing bank loans

Our interest-bearing bank loans decreased from approximately HK\$33.0 million as at 31 March 2018 to approximately HK\$30.6 million as at 31 March 2019. Such decrease was mainly due to the repayment of our interest-bearing bank loans during FY2018/19.

Key financial ratios

	FY2017/18/ As at 31 March 2018	FY2018/19/ As at 31 March 2019
Revenue growth	(4.4%)	10.5%
Net profit growth	102.7%	(21.2%)
Gross profit margin	14.8%	16.1%
Net profit margin before interest and tax	12.5%	9.7%
Net profit margin	10.3%	7.3%
Return on equity	35.1%	21.7%
Return on total assets	18.4%	14.4%
Current ratio	2.1	3.0
Quick ratio	2.1	3.0
Trade receivables turnover days	27.9 days	35.2 days
Trade payables turnover days	33.3 days	35.3 days
Gearing ratio	33.0%	22.6%
Net debt to equity ratio	Net cash	Net cash
Interest coverage	76.7	47.8

Revenue growth

Our revenue increased from approximately HK\$361.9 million for FY2017/18 to approximately HK\$399.9 million for FY2018/19. Please refer to the paragraph headed “Management’s discussion and analysis of financial condition and operation results – Analysis of key items of results of operations” in this appendix for the reasons for the increase in our revenue.

Net profit growth

Our profit and total comprehensive income for the year decreased from approximately HK\$37.2 million for FY2017/18 to approximately HK\$29.3 million for FY2018/19. Please refer to the paragraph headed “Management’s discussion and analysis of financial condition and operation results – Analysis of key items of results of operations” in this appendix for the reasons for the decrease in our net profit.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

Gross profit margin

Our gross profit margin increased from approximately 14.8% for FY2017/18 to approximately 16.1% for FY2018/19. Please refer to the paragraph headed “Management’s discussion and analysis of financial condition and operation results – Analysis of key items of results of operations” in this appendix for the reasons for the increase in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 12.5% for FY2017/18 to approximately 9.7% for FY2018/19. Such decrease was mainly due to the recognition of listing expenses of approximately HK\$14.3 million for FY2018/19 (FY2017/18: nil).

Net profit margin

Our net profit margin decreased from approximately 10.3% for FY2017/18 to approximately 7.3% for FY2018/19. Such decrease was mainly due to the decrease in our net profit margin before interest and tax as mentioned above.

Return on equity

Our return on equity decreased from approximately 35.1% for FY2017/18 to approximately 21.7% for FY2018/19. Such decrease was mainly due to the decrease in our net profit for FY2018/19 as discussed above.

Return on total assets

Our return on total assets decreased from approximately 18.4% for FY2017/18 to approximately 14.4% for FY2018/19. The decrease in our return on total assets was mainly due to reason similar to that for the change in our return on equity as discussed above.

Current ratio

Our current ratio increased from approximately 2.1 times as at 31 March 2018 to approximately 3.0 times as at 31 March 2019. Such increase was mainly due to our Group maintained a strong current assets position while our current liabilities decreased by approximately 29.9% as a result of (i) the decrease in trade payables by approximately HK\$8.3 million during FY2018/19 as discussed above; (ii) the settlement of contract liabilities during FY2018/19; and (iii) the repayment of interest-bearing bank loans during FY2018/19.

Quick ratio

Due to our business nature, we did not have any inventories during FY2018/19. As such, our quick ratio was the same as our current ratio.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

Trade receivables turnover days

Our trade receivables turnover days increased from approximately 27.9 days for FY2017/18 to approximately 35.2 days for FY2018/19. Such increase 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. The credit period that we granted to our customers is generally within 60 days.

Trade payables turnover days

Our trade payable turnover days increased from approximately 33.3 days for FY2017/18 to approximately 35.3 days for FY2018/19. Such increase was primarily affected by difference in timing of payments to our suppliers.

Gearing ratio

Our gearing ratio decreased from approximately 33.0% as at 31 March 2018 to approximately 22.6% as at 31 March 2019. Such decrease was mainly due to the decrease in interest-bearing bank loans from approximately HK\$33.0 million as at 31 March 2018 to approximately HK\$30.6 million as at 31 March 2019.

Net debt to equity ratio

We recorded net cash positions as at 31 March 2018 and 2019.

Interest coverage

Our interest coverage decreased from approximately 76.7 times as at 31 March 2018 to approximately 47.8 times as at 31 March 2019, which was mainly due to the increase in finance costs incurred by our Group during FY2018/19 compared to FY2017/18 as discussed in this appendix above.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Please refer to the paragraph headed “Business – Risk management and internal control systems” in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our Group’s operations, and Mr. CM Ip’s in-depth knowledge and experience in the industry and familiarity with the operations of our Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2019

are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of our Company and that it is in the best interest of our Group to have Mr. CM Ip taking up both roles. As such, the roles of the chairman and chief executive officer of our Group are not being separated pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules.

Since we were not yet listed on the Stock Exchange during FY2018/19, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period under review. After the Listing, we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We established an Audit Committee in compliance with the Corporate Governance Code. Each of the members of the Audit Committee has reviewed the 2019 Preliminary Financial Information as set out in this appendix.

The figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2018/19 as set out in the 2019 Preliminary Financial Information above have been agreed to by the Reporting Accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Reporting Accountants on the 2019 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange during FY2018/19, this disclosure requirement is not applicable to us.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 July 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 8 June 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary

quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons,

at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any

board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any

trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such

contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so

in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid

up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be

carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the

Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 1 August 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the

transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

(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 24 July 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 August 2018 and our principal place of business in Hong Kong is at Flat A-B, 14/F, Skyline Tower, No. 18 Tong Mi Road, Mongkok, Kowloon, Hong Kong. Mr. CM Ip of Flat 55D, 55/F, Tower 1, Lake Silver, Ma On Shan, New Territories, Hong Kong and Ms. Chow Hoi Fei of Flat F, 25/F, Block 6, Hanford Garden, Tuen Mun, New Territories, Hong Kong had been appointed as the authorised representatives 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 company law and certain provisions of the Articles is set out in Appendix IV 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 Share was allotted and issued as fully paid to the subscriber to the memorandum and articles of association of our Company on 24 July 2018, which was subsequently transferred to Silver Tide Enterprises on the same date.
- (b) Pursuant to an agreement dated 5 September 2018 entered into among our Company, Mr. CM Ip and Silver Tide Enterprises, our Company acquired two shares in Forest Honour from Mr. CM Ip, and in consideration of such share transfer, our Company allotted and issued an aggregate of 99 Shares, credited as fully paid, to Silver Tide Enterprises (at the direction of Mr. CM Ip). After the aforesaid acquisition, Forest Honour became a direct wholly-owned subsidiary of our Company, which was wholly owned by Silver Tide Enterprises.
- (c) On 8 June 2019, our sole Shareholder resolved to increase the authorised share capital of our Company 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.
- (d) Immediately following completion of the Share Offer and the Capitalisation Issue, and taking no account of any Share which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “(A) Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 8 June 2019” 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 will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 8 June 2019

By written resolutions of our sole Shareholder passed on 8 June 2019:

- (a) our Company approved and adopted the Memorandum and the Articles, the material terms of which are summarised in Appendix IV to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares, of HK\$0.01 each ranking *pari passu* with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the Price Determination Agreement having been executed and on the obligations of the Underwriter 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) conditional further on the share premium account of our Company being credited as a result of the Share Offer or otherwise having sufficient balance, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$7,499,999 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 749,999,900 Shares for allotment and issue to Silver Tide Enterprises, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions; and

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “(D) Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange and our Directors were authorised, 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;

- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares not exceeding 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the 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 number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The key steps of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

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 as disclosed above, and as mentioned in the paragraph headed "(A) Further Information about our Company – 4. Corporate reorganisation" in this appendix and in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company 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.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 8 June 2019, a general unconditional mandate (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 number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Share to be issued upon exercise of any 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 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 from time to time.

Any repurchases by our Company may be made out of profits or out of share premium account 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 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 our 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 our subsidiaries or a close associate (as defined in the Listing Rules) 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 our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on 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 our Shareholders.

(c) Exercise of the Repurchase Mandate

On the basis of 1,000,000,000 Shares in issue after completion of the Share Offer and the Capitalisation Issue, exercise in full of the Repurchase Mandate, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing 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 (as defined in the Listing Rules), 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 and regulations from time to time in force in 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. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our 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 may 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 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 OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company as a whole:

- (a) an agreement dated 22 August 2018 entered into among Solarspike (as seller), Forest Honour (as buyer) and Mr. CM Ip pursuant to which Forest Honour acquired from Solarspike 2,000,000 ordinary shares in Hop Fat Yuk Ying of HK\$1.00 each in consideration of HK\$2,000,000 satisfied by Forest Honour allotting and issuing one share with a par value of US\$1.00, credited as fully paid, to Mr. CM Ip;
- (b) an instrument of transfer dated 22 August 2018 entered into between Solarspike (as transferor) and Forest Honour (as transferee) for the transfer of 2,000,000 ordinary shares of Hop Fat Yuk Ying from Solarspike to Forest Honour in consideration of HK\$2,000,000 satisfied by Forest Honour allotting and issuing one share with a par value of US\$1.00 in Forest Honour, credited as fully paid at par, to Mr. CM Ip;
- (c) bought and sold notes dated 22 August 2018 executed by Solarspike (as transferor) and Forest Honour (as transferee) for the transfer of 2,000,000 ordinary shares of Hop Fat Yuk Ying as referred to in paragraph (a) above;
- (d) an agreement dated 5 September 2018 entered into among Mr. CM Ip (as seller), our Company (as buyer) and Silver Tide Enterprises pursuant to which our Company acquired from Mr. CM Ip two ordinary shares in Forest Honour, and in consideration of such share transfer, 99 Shares were issued and allotted by our Company to Silver Tide Enterprises, credited as fully paid (at the direction of Mr. CM Ip);

- (e) the instrument of transfer dated 5 September 2018 entered into between Mr. CM Ip (as transferor) and our Company (as transferee) for the transfer of two ordinary shares of Forest Honour from Mr. CM Ip to our Company in consideration of our Company allotting and issuing 99 Shares, credited as fully paid, to Silver Tide Enterprises (at the direction of Mr. CM Ip);
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity; and
- (h) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) *Trademark*

As at the Latest Practicable Date, our Group had not applied for registration of or registered any trademark.

(b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name:

No.	Registrant	Domain name	Registration date	Expiry date
1.	Hop Fat Yuk Ying	silvertide.hk	15 September 2018	15 September 2023
2.	Hop Fat Yuk Ying	hfyy.hk	21 July 2018	21 July 2023

(C) FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**1. Disclosure of interests**

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue but taking no account any Shares to be issued upon 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 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 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 Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/interested immediately following completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding immediately following completion of the Share Offer and the Capitalisation Issue
Mr. CM Ip	Interest in a controlled corporation ^(Note)	750,000,000	75%

Note: Silver Tide Enterprises, which will hold 75% of the Shares immediately after completion of the Share Offer and the Capitalisation Issue, is wholly-owned by Mr. CM Ip. Accordingly, Mr. CM Ip is deemed to be interested in all the Shares held by Silver Tide Enterprises under Part XV of the SFO. Mr. CM Ip is also our executive Director, chief executive officer and chairman of the Board and a Controlling Shareholder.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature	Number of shares held/ interested	Percentage of interest
Mr. CM Ip	Silver Tide Enterprises	Beneficial owner	1	100%

So far as is known to our Directors and taking no account any Shares which may be issued upon 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 Share Offer and the Capitalisation Issue, have interests or short positions in our 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 our Company or any other member of our Group:

Our Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Percentage of interest
Silver Tide Enterprises	Beneficial owner	750,000,000	75%
Ms. Wong Fong Choi	Interest of spouse ^(Note)	750,000,000	75%

Note: Ms. Wong Fong Choi is Mr. CM Ip's spouse and is deemed to be interested in 750,000,000 Shares in which Mr. CM Ip is interested under the SFO.

2. Particulars of service agreements

No Director 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 FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 were approximately HK\$1.5 million, HK\$1.9 million, HK\$2.6 million and HK\$1.6 million respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for FY2018/19 was approximately HK\$2.0 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to any emoluments for FY2015/16, FY2016/17, FY2017/18 and the nine months ended 31 December 2018.

- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Directors	
Mr. Ip Chi Ming	1,200,000
Mr. Lau Woon Wing	660,000
Independent non-executive Directors	
Mr. Shum Hau Tak	240,000
Mr. Pau Chi Hoi	240,000
Mr. Law Chi Hung	240,000

- (d) Each of our Directors has entered into a service contract (in the case of executive Directors) or a letter of appointment (in the case of independent non-executive Directors) with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than six 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 Articles.

4. Agency fees or commission received

Save as disclosed in the section headed “Underwriting” in this prospectus and this appendix, none of our Directors or the experts named in the paragraph headed “(E) Other Information – 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 note 31 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 “(E) Other Information – 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 “(E) Other Information – 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 our Shares which may 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 and the Capitalisation Issue, 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 our Company or 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 suppliers of our Group.

(D) SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	8 June 2019, the date on which the Share Option Scheme is conditionally adopted by the 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

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 8 June 2019:

(i) 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.

(ii) Who may join and basis of eligibility

The 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 (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) 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.

(iv) 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.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraphs (bb) and (cc) 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 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) 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 our Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) Our Company may seek separate approval by 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.

- (dd) 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.

(vi) 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 associates abstaining from voting. In such event, our Company must send a circular to our 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 our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective 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:
- (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) 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 our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any 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 associates is also required to be approved by our Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) 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:
 - (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (i) 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
 - (ii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(ix) 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 the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the 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.

(xi) Ranking of Shares

Our 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 our 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.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) 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 (xiv) 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 (xvii), (xviii) and (xix) 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.

(xiv) 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.

(xv) 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 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 (xiv) 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).

(xvi) 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.

(xvii) 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.

(xviii) 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 Company 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.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our 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 our 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 our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options

shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that 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.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) 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;
- (ff) 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
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) 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 the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xxii) 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.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the 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.
- (bb) 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 the 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.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xv) 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, our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 100,000,000 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

Mr. CM Ip and Silver Tide Enterprises (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity referred to in the paragraph headed “(B) Further Information about our Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities in favour of our Company for ourselves and as trustee for our subsidiaries in connection with, among other things,

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;
- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; or (iii) as a direct or indirect result of any undeclared tax, overdue tax, tax incidents (including incidents arising from the differences between the tax expenses incurred and the profit tax paid) and any other form of tax burden (including tax burden arising from receipt, accumulation or acceptance of income, profit or gain of any member of our Group on or before the date on which the Share Offer becomes unconditional;

- (c) 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:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional;
 - (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional; and
 - (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the 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 taxation 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 the date on 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 paragraph headed “Business – Litigation and potential claims”, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group as at the Latest Practicable Date.

3. Sole Sponsor

The Sole 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 to be issued upon exercise of any options to be granted under the Share Option Scheme.

The Sole 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 Sole Sponsor, pursuant to which our Company agreed to pay a financial advisory and documentation fee of HK\$5 million to the Sole Sponsor in respect of the Share Offer, and will reimburse the Sole Sponsor for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$56,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Grande Capital Limited	A licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law of Hong Kong
Garron Holdings Limited	Safety Consultant
Mr. Ng Kwok Yin, Godwin	Barrister-at-law of Hong Kong
Ipsos Limited	Industry consultant

7. Consents of experts

Each of Grande Capital Limited, Ernst & Young, Conyers Dill & Pearman, Mr. Chan Chung, Garron Holdings Limited, Mr. Ng Kwok Yin, Godwin and Ipsos Limited has given and has not withdrawn its/his written consent to the issue of this prospectus with the inclusion of its/his reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its/his 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. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(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. 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 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up).

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of 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
- (b) 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.
- (c) Neither our Company nor any of the subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (d) Save as disclosed in the section headed “Underwriting” in this prospectus, none of the parties listed in the paragraph headed “(E) Other Information – 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.
- (e) The branch register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited, our 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.
- (f) 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
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.

- (h) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (i) We have no outstanding convertible debt securities.
- (j) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (k) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES IN HONG KONG AND
AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance were (i) copies of the Application Forms; (ii) the written consents referred to in the paragraph headed “(E) Other Information – 7. Consents of experts” in Appendix V to this prospectus; and (iii) copies of the material contracts referred to in the paragraph headed “(B) Further information about our business – 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of D. S. Cheung & Co., 29th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester 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 dated the date of this prospectus prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company prepared for the companies comprising our Group for each of the three financial years ended 31 March 2018 and the nine months ended 31 December 2018;
- (d) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the paragraph headed “(B) Further information about our business – 1. Summary of material contracts” in Appendix V to this prospectus;
- (f) the service agreements referred to in the paragraph headed “(C) Further Information about Substantial Shareholders, Directors and Experts – 3. Directors’ remuneration” in Appendix V to this prospectus;
- (g) the Share Option Scheme;
- (h) the written consents referred to in the paragraph headed “(E) Other Information – 7. Consents of experts” in Appendix V to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR
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- (i) the Companies Law;
- (j) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (k) the letter of advice prepared by the Legal Counsel dated the date of this prospectus;
- (l) the safety review report prepared by the Safety Consultant dated the date of this prospectus;
- (m) the Ipsos Report; and
- (n) the tax opinion prepared by Mr. Ng Kwok Yin, Godwin in respect of our Group's tax incident regarding the difference in accounting conclusions and judgments made by the current and former statutory accounts' auditors of our Group.

Silver Tide Holdings Limited
銀濤控股有限公司