

BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8275

SHARE OFFER

Sponsor

FRONTPAGE 富比

Sole Bookrunner

 Pacific
Foundation

Joint Lead Managers

 Pacific
Foundation **FRONTPAGE** 富比

IMPORTANT

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

BEAVER GROUP (HOLDING) COMPANY LIMITED

永勤集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 150,000,000 Shares
Number of Public Offer Shares : 15,000,000 Shares (subject to reallocation)
Number of Placing Shares : 135,000,000 Shares (subject to reallocation)
**Offer Price : Not more than HK\$0.34 per Offer Share
and expected to be not less than HK\$0.22
per Offer Share plus brokerage of 1%, the
SFC transaction levy of 0.0027% and the
Stock Exchange trading fee of 0.005%
(payable in full on application and subject
to refund)**
Nominal value : HK\$0.01 per Share
Stock code : 8275

Sponsor

FRONTPAGE 富比

Sole Bookrunner



Joint Lead Managers



FRONTPAGE 富比

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 "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" in 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 as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share, unless otherwise announced. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.34 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.34 per Offer Share.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Share Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published in the website of our Company at www.beavergroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk. Further details are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date (or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters)), the Share Offer will not become unconditional and will lapse immediately.

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

The obligations of the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — The Public Offer — Grounds for termination" in this prospectus.

29 September 2017

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE

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

2017⁽¹⁾

Public Offer commences and **WHITE** and

YELLOW Application Forms available from 9:00 a.m. on Friday, 29 September

Application lists for Public Offer open⁽²⁾ 11:45 a.m. on Friday, 6 October

Latest time for lodging **WHITE** and **YELLOW** Application Forms 12:00 noon on
Friday, 6 October

Latest time to give **electronic application instructions** to HKSCC⁽³⁾ 12:00 noon on
Friday, 6 October

Application lists for Public Offer close⁽²⁾ 12:00 noon on Friday, 6 October

Expected Price Determination Date on or before⁽⁴⁾ Monday, 9 October

Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published in our Company's website at www.beavergroup.com.hk⁽⁵⁾ and the website of the Stock Exchange at www.hkexnews.hk on or before Friday, 13 October

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 Company's website at www.beavergroup.com.hk⁽⁵⁾ and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see the section headed "How to apply for Public Offer Shares — 10. Publication of results" of this prospectus) on or before Friday, 13 October

Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from Friday, 13 October

EXPECTED TIMETABLE

2017⁽¹⁾

Despatch/Collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before^(6 and 8) Friday, 13 October

Despatch/Collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before^(7 and 8) Friday, 13 October

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Monday, 16 October

Notes:

- (1) All times and dates refer to Hong Kong times and dates, except as otherwise stated.
- (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, 6 October 2017, the application lists will not open on that day. For further details, please see the section headed “How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” of this prospectus.
- (3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for Public Offer Shares — 5. Applying by giving **electronic application instructions** to HKSCC via CCASS” of this prospectus.
- (4) The Price Determination date is expected to be on or around Monday, 9 October 2017 and, in any event, not later than Thursday, 12 October 2017. If, for any reason, the Offer Price is not agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company by Thursday, 12 October 2017, the Share Offer will not proceed and will lapse.
- (5) None of the website or any of the information contained on the website forms part of this prospectus.
- (6) Share certificates will only become valid at 8:00 a.m. on Monday, 16 October 2017 provided that the Share Offer has become unconditional and none of the Underwriting Agreements has been terminated in accordance with their respective terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, we will make announcement as soon as possible.
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.

EXPECTED TIMETABLE

- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Shares or more and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to the Hong Kong Branch Share Registrar at the time of collection.

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

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies — Personal collection — (iii) If you apply via **electronic application instructions** to HKSCC" of this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares or have applied for 1,000,000 Public Offer Shares or more but do not collect their Share certificates and/or refund cheques, the Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant applications on or before Friday, 13 October 2017.

Further information is set out in the sections headed "How to Apply for Public Offer Shares — 12. Refund of application monies" and "How to Apply for Public Offer Shares — 13. Despatch/Collection of Share certificates and refund monies" of this prospectus.

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

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IMPORTANT NOTICE TO INVESTORS

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

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

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer. The contents on the website at www.beavergroup.com.hk which is the official website of our Company, do not form part of this prospectus.

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SUMMARY

OVERVIEW

Founded in 2008, our Group is a foundation contractor primarily specialising in subcontracted bored piling works as well as other foundation works. We are capable of installing bored piles with diameters ranging from 1.5 m to 3 m of various pile lengths. We have invested considerably in reinforcing our machinery and we possess all standard plant and machinery and equipment necessary for the construction of bored piles.

We proud ourselves as a specialist in bored pile construction during the Track Record Period. We have established business connection with various construction and foundation contractors and undertaken projects in both the private and public sectors. We focus only on “build-only” projects which we perform our works according to the specifications provided to us without involving ourselves in any foundation design. We completed 26 bored piling projects during the Track Record Period and up to the Latest Practicable Date, 10 of which were in the public sector while the remaining 16 projects were in the private sector. In addition to bored piling works, to the extent our machinery and equipment allow, we offer the removal of pre-existing foundation or obstructing piles for urban renewal or railway projects. During the Track Record Period, we were engaged in 4 projects of foundation removal works, all of them were under separate contracts unassociated with our bored piling contracts. As at the Latest Practicable Date, we have 7 construction contracts on hand with outstanding contract sum of approximately HK\$39,391,000, out of which approximately HK\$35,264,000 and HK\$4,127,000 are expected to be fully recognised for the year ending 31 March 2018 and for the six months ending 30 September 2018, respectively.

We normally secure our projects through a competitive tender process from construction and foundation contractors, which are our direct customers and are either main contractors or subcontractors. Triangular Force was registered as a Registered Specialist Contractor in the category of foundation and site formation works with the Buildings Department in February 2017 and in April 2017, respectively, our Group is qualified to carry out private sector foundation and site formation works as a main contractor in Hong Kong.

SUMMARY

The following table sets forth the breakdown of our revenue by nature of work services as well as sectors during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Revenue by nature of work				
Construction contract income				
— Bored piles construction	64,579	74.6	104,680	89.8
— Removal of obstructing piles	21,388	24.7	10,972	9.4
Sub-total	85,967	99.3	115,652	99.2
Ancillary service income <i>(Note)</i>	637	0.7	911	0.8
Total	<u>86,604</u>	<u>100.0</u>	<u>116,563</u>	<u>100.0</u>

Note: Ancillary service income represented revenue derived from providing general labour services by our Group.

	For the year ended 31 March					
	2016			2017		
	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%
Public sector projects	4	20,684	24.1	7	40,002	34.6
Private sector projects	8	65,283	75.9	14	75,650	65.4
Total construction contract income	<u>12</u>	<u>85,967</u>	<u>100</u>	<u>21</u>	<u>115,652</u>	<u>100</u>

Subsequent to Track Record Period and up to the Latest Practicable Date, we have six public sector projects and seven private sector projects that contribute revenue to our Group.

The following table sets forth our Group's construction contract income by contract size during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	Number of projects	HK\$'000	Number of projects	HK\$'000
More than HK\$20 million	3	56,460	2	22,204
HK\$10 million to HK\$20 million	3	11,491	6	55,382
Less than HK\$10 million	6	18,016	13	38,066
	<u>12</u>	<u>85,967</u>	<u>21</u>	<u>115,652</u>

SUMMARY

Subsequent to Track Record Period and up to the Latest Practicable Date, we have eight, four and one projects which have the contract size of less than HK\$10 million, HK\$10 million to HK\$20 million and more than HK\$20 million, respectively.

Gross profit/(loss) and gross margin

The following table sets forth a breakdown of our gross profit/(loss) and gross margin by type of works and sectors during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Gross profit/(loss) by nature of work				
Construction contract				
— Bored piles construction	21,178	32.8	20,146	19.2
— Removal of obstructing piles	<u>2,949</u>	13.8	<u>(35)</u>	(0.3)
Sub-total	24,127	28.1	20,111	17.4
Ancillary service	<u>381</u>	59.8	<u>89</u>	9.8
Total	<u><u>24,508</u></u>	28.3	<u><u>20,200</u></u>	17.3

	For the year ended 31 March			
	2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Public sector projects	3,157	15.3	4,618	11.5
Private sector projects	<u>20,970</u>	32.1	<u>15,493</u>	20.5
Total/overall	<u><u>24,127</u></u>	28.1	<u><u>20,111</u></u>	17.4

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) nature and complexity; (ii) competition; and (iii) cost controls.

Our gross profit margin decreased from 28.3% for the year ended 31 March 2016 to 17.3% for the year ended 31 March 2017, primarily due to (i) a particular profitable project achieved by early completion with direct costs being saved for the year ended 31 March 2016; (ii) delay of handover of project to our Group in a project of a removal of obstructing piles for a railway construction

SUMMARY

project during the year ended 31 March 2017, which recorded a mere gross loss for the year but was overall profitable; (iii) enhanced competitiveness of our quotations; and (iv) erosion of profit margin by more transportation subcontracting costs incurred for smaller projects with limited site area. Other than the above project, we did not experience any material delay or cost overrun during the Track Record Period.

For detailed discussion on our gross profit and gross profit margin, please refer to the section headed “Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income” in this prospectus.

Quotations submitted during the Track Record Period

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

	For the year ended 31 March	
	2016	2017
Number of tender invitations	37	45
Number of project bids	26	35
Number of successful project bids	12	14
Success rate (%)	46.2%	40.0%

During the Track Record Period, we completed 18 foundation works projects, of which 11 and 7 projects were in the private and public sector, respectively. As at the Latest Practicable Date, we had 7 projects on hand for foundation works and the following table sets forth the details of these projects:

No.	Project Code	Nature of Project	Expected Completion Date	Initial contract sum	Revenue expected to be recognised for the ^(Note)		
					six months ending 30 September 2017	six months ending 31 March 2018	six months ending 30 September 2018
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
1	Job 40	Private	January 2018	12,900	2,319	—	—
2	Job 47	Public	February 2018	10,729	4,430	4,118	—
3	Job 50	Private	October 2017	11,339	6,947	200	—
4	Job 55	Public	October 2017	41,745	37,289	4,456	—
5	Job 59	Public	January 2018	2,200	532	1,668	—
6	Job 60	Public	January 2018	5,194	1,000	4,194	—
7	Job 61	Private	September 2018	24,755	—	20,628	4,127

Note: Revenue expected to be recognised for the six months ending 30 September 2017 and 31 March 2018 includes value recognised from only agreed contract sum and approved value of variation. Expected revenue will be subject to, among others, actual progress of the projects, customer’s certification and audit.

SUMMARY

Pricing

The contracts we enter into with our customers are generally re-measurement or lump sum contracts. In determining our quotations, we estimate our costs and then determine an appropriate profit margin. For bored piles construction, our pricing is usually determined based on the depth of boring, the soil properties and the length and size of the pile.

OUR CUSTOMERS

Our direct customers are primarily the main contractors or subcontractors of foundation projects in Hong Kong. Our foundation projects are mainly the initial phase of property development projects in the private sector or railway project in the public sector. We also served in the public sector in projects involving removal of existing foundation, where our customers were also the main contractors of those projects.

For the years ended 31 March 2016 and 2017, the percentage of our Group's aggregate turnover attributable to our Group's largest customer was 32.3% and 27.0% for the corresponding periods, respectively, while the percentage of our Group's total turnover attributable to our five largest customers in aggregate was approximately 88.2% and 69.6%, respectively.

During the Track Record Period, we had contra-charge arrangement with some of our customers which our Directors confirm were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses.

OUR SUPPLIERS

Our suppliers primarily supply the following materials to us: (i) plant and machinery; (ii) concrete; (iii) steel; (iv) diesel fuels; (v) reservation pipes; and (vi) temporary steel casings and other equipment. Other than plant and machinery and temporary steel casings which we can re-use in different projects, we generally order construction materials on a project-by-project basis and we do not enter into any long-term contract with our suppliers.

Purchases from our largest supplier (excluding our subcontractors) accounted for 3.8% and 8.0% of our total cost of sales for the years ended 31 March 2016 and 2017, respectively. Purchase from our five largest suppliers (excluding our subcontractors) accounted for 15.0% and 16.2% of our total cost of sales for the years ended 31 March 2016 and 2017, respectively.

OUR SUBCONTRACTORS

Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customer's contract requirements, we usually subcontract reinforcement bar fixing and transportation of waste materials as we are not specialised in rebar fixing and we do not keep the required fleet of lorries.

SUMMARY

For the years ended 31 March 2016 and 2017, our Group's subcontracting charges incurred by the largest subcontractor represented 3.1% and 6.1% of our Group's total cost of sales for the period, respectively.

LICENSES, PERMITS AND REGISTRATION

As at Latest Practicable Date, we have obtained all material licences, permits and registrations required for our business activities. Set out below is a summary of our material licenses, permits and registrations that we have obtained:

<u>Registration</u>	<u>Granted by</u>	<u>Granted to</u>	<u>Date of first registration</u>	<u>Date of upcoming expiry</u>
Registered Specialist Contractor — Foundation works	Buildings Department ^(Note 1)	Triangular Force	24 February 2017	9 February 2020
Registered Specialist Contractor — Site formation works	Buildings Department ^(Note 1)	Triangular Force	27 April 2017	7 April 2020
Subcontractor Registration Scheme — Bored Pile	Construction Industry Council ^(Note 2)	Triangular Force	7 November 2011	6 November 2017 ^(Note 3)
Subcontractor Registration Scheme — Bored Pile	Construction Industry Council ^(Note 2)	TMP Machinery	23 January 2017	22 January 2019

Notes:

1. The registration with Buildings Department is required to be renewed every three years and to our Directors' best knowledge, the renewal application process generally takes around four weeks to be completed.
2. The registration with Construction Industry Council is required to be renewed every two years and to our Director's best knowledge, the renewal application process generally takes around six weeks to be completed.
3. Our Group has submitted the relevant documents for the renewal of the existing registration under the Subcontractor Registration Scheme in September 2017 in view of the upcoming expiry in November 2017.

As at Latest Practicable Date, Mr. Lau Jeff Tak Wai, who is a director of Triangular Force, is the authorised signatory and technical director of our Group for the purpose of the registration as the Registered Specialist Contractor under the Buildings Department. There is no such requirement for the role of authorised signatory and technical director for the registrations of our Group under the Subcontractor Registration Scheme. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to conditional renewal or failed to renew our registrations with the Buildings Department and Construction Industry Council.

MARKET SHARE

According to the Ipsos Report, our Group accounted for about 0.6% of foundation industry in Hong Kong.

SUMMARY

COMPETITIVE STRENGTHS

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

- Our management team possesses extensive experience and technical know-how
- We possess a large fleet specialised machinery and equipment
- We have stringent quality control and established safety procedures
- We maintain stable relationships with our major customers and suppliers

CORPORATE STRATEGIES

We have formulated the following business strategies to achieve sustainable growth in our current business and to capture more business opportunities:

- Strengthening our market position in the bored piling construction sector
- Expansion of our scope of services
- Expansion of our capacity

RISK FACTORS

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

- Our historical revenue and profit margin may not be indicative of our future revenue and profit margin
- Our revenue is mainly derived from construction projects which are not recurring in nature and any decrease in the number of our projects would affect our operations and financial results
- Our business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them
- Our Group determines the project price based on the estimated time and costs involved in a project, which may deviate from actual time and costs incurred. Inaccurate estimation may adversely affect our financial results
- Our Group's foundation works are exposed to the risk of unexpected geological or sub-soil conditions

SUMMARY

- Our Group may tender for private sector foundation or site formation projects as a main contractor, whose risk exposure may be very different from a subcontractor

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

LITIGATION AND POTENTIAL CLAIMS

Legal proceedings

During the Track Record Period and up to the Latest Practicable Date, there were 4 work injury cases arising during usual and ordinary course of our business out of which (i) 3 employees’ compensation claims against our Group have been settled but as the limitation period for personal injury claim (which is generally three years from the date of the relevant incidents) has not lapsed, it is still possible for the injured persons to commence common law personal injury court proceeding against our Group; and (ii) 1 work injury case to which the injured person who may file but has not yet filed any claims or commenced legal proceedings against our Group. These potential claims 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. As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims.

These four injury cases were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group’s business.

Although our Group may be subject to the above-mentioned potential claims, our Directors are of the view that the potential amount shall be covered by the relevant insurance policies as such injury incidents have been reported to the relevant main contractors and our Group’s entire conduct of its defence against such claims, if any, in the future will be taken to by the relevant insurers. Therefore, our Directors are of the view that the potential claims will not have a material adverse impact on the operation or financial position or business of our Group.

For details of the potential claims which may laid against our Group, please refer to the paragraph headed “Business — Legal proceedings and legal compliance” in this prospectus.

Legal compliance

During the Track Record Period, we have certain non-compliances with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”), Triangular Force, TMP Machinery and Longson Enterprise failed to file their respective profits tax returns within the prescribed time limit under section 51(1) of the IRO. For details, please refer to paragraph headed “Business — Legal proceedings and legal compliance — Non-compliance”. Our Directors confirmed that save as disclosed in the paragraph headed “Business — Legal proceedings and legal compliance — Non-compliance” in this prospectus, during the Track Record Period and up to the

SUMMARY

Latest Practicable Date, there was no non-compliance incident which constitute material impact 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.

SHAREHOLDER INFORMATION

Immediately following the completion of the Share Offer, each of C3J Development and Hunter Corporate will hold 225,000,000 Shares, representing 37.5% of the enlarged issued share capital of our Company. For the purposes of the GEM Listing Rules, C3J Development, Hunter Corporate, Mr. Tang (who owns the entire share capital of C3J Development) and Mr. Chui (who owns the entire share capital of Hunter Corporate) are the Controlling Shareholders. Please refer to the sections headed “Substantial Shareholders” and “Relationship with Controlling Shareholders” in this prospectus for further details.

SUMMARY FINANCIAL AND OPERATING INFORMATION

A summary of our Group’s consolidated financial information for the periods indicated, extracted from the Accountants’ Report included as Appendix I to this prospectus is set forth below.

Summary consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March	
	2016	2017
	HK\$’000	HK\$’000
Revenue	86,604	116,563
Cost of sales	<u>(62,096)</u>	<u>(96,363)</u>
Gross profit	24,508	20,200
Other income	1,490	1,052
Administrative expenses	(4,959)	(14,119)
Other operating expenses	<u>(108)</u>	<u>(128)</u>
Profit from operations	20,931	7,005
Finance costs	<u>(280)</u>	<u>(166)</u>
Profit before tax	20,651	6,839
Income tax expenses	<u>(3,370)</u>	<u>(1,559)</u>
Profit and total comprehensive income for the year attributable to owners of our Company	<u><u>17,281</u></u>	<u><u>5,280</u></u>

SUMMARY

Our revenue increased by 34.6% for the year ended 31 March 2017, primarily due to the increase in revenue generated from the bored piles construction projects for the year ended 31 March 2017 as driven by the significantly more number of smaller projects for the year.

Our administrative expenses increased by 184.7% for the year ended 31 March 2017 as a result of (i) the increase in staff costs for bolstering our human resources, especially the recruitment of our senior management staff for our project management and accounting team; and (ii) recognition of listings expenses incurred for the year ended 31 March 2017.

Due to the decrease in our gross profit and the increase in our administrative expenses, our profit for the year decreased by 69.4% for the year ended 31 March 2017.

For details please refer to the section headed “Financial Information — Period to period comparison of results of operations” to this prospectus.

Summary consolidated statements of financial position

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Non-current assets	59,363	63,877
Current assets	36,879	53,896
Total assets	96,242	117,773
Current liabilities	38,351	53,608
Net current (liabilities)/assets	(1,472)	288
Total assets less current liabilities	57,891	64,165
Net assets	50,157	55,437

We recorded net current liabilities of approximately HK\$1,472,000 as at 31 March 2016 as we have invested substantial funds generated from our operations in the capital expenditures of approximately HK\$23,053,000 for the year ended 31 March 2016, mainly on the acquisition of crawler cranes, oscillators, RCD rig, air compressor and temporary steel casings.

For details please refer to the section headed “Financial Information — Net current assets/liabilities” to this prospectus. Please also refer to the section headed “Risk Factors — We recorded net current liabilities position during the Track Record Period” for the associated risks.

SUMMARY

Summary consolidated statements of cash flows

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Operating cash flow before working capital changes	33,457	22,085
Net cash generated from operating activities	29,928	18,954
Net cash used in investing activities	(16,450)	(17,206)
Net cash (used in)/generated from financing activities	(18,524)	230
Net (decrease)/increase in cash and cash equivalents	(5,046)	1,978
Cash and cash equivalents at the beginning of year	5,697	651
Cash and cash equivalents at the end of year	651	2,629

Key financial and operating data

	As at/for the year ended 31 March	
	2016	2017
Current ratio ⁽¹⁾	1.0	1.0
Quick ratio ⁽²⁾	1.0	1.0
Gearing ratio ⁽³⁾	19.7%	28.5%
Debt to equity ratio ⁽⁴⁾	18.4%	23.8%
Return on equity ⁽⁵⁾	34.5%	9.5%
Return on total assets ⁽⁶⁾	18.0%	4.5%
Interest coverage ⁽⁷⁾	74.8 times	42.2 times

Notes:

1. Current ratio is calculated as total current assets divided by total current liabilities.
2. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
3. Gearing ratio is calculated as total debt (summation of due to Directors, due to a related company, bank borrowings and finance leases payables) divided by total equity and multiplied by 100%
4. Debt to equity ratio is calculated as total debt (summation of due to Directors, due to a related company, bank borrowings and finance leases payables) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity equals profit for the year divided by total equity of the relevant year and multiplied by 100%.

SUMMARY

6. Return on assets equals profit for the year divided by total assets of the relevant year and multiplied by 100%.
7. Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and according to the unaudited management accounts of our Group, our revenue for the three months ended 30 June 2017 increased as compared to the three months ended 30 June 2016, primarily due to significant portion of revenue contributed by the commencement of work of the bored piling project in Macau. As at 30 June 2017, our Group continued to improve our net current assets position through the profit generated from operations.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have secured six additional contracts with an aggregate initial contract sum of approximately HK\$37,362,000. As at the Latest Practicable Date, we had seven projects on hand (including contracts in progress as well as contracts that were awarded to us but not yet commenced). The aggregate contract sum of all contracts on hand is approximately HK\$108,862,000 and approximately HK\$16,954,000 of revenue has been recognised during the Track Record Period. We expect to recognise revenue of approximately HK\$87,781,000 and HK\$4,127,000 for the year ending 31 March 2018 and for the six months ending 30 September 2018, respectively, based only on our contracts on hand, the master programme and our Directors' estimate. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed "Business — Our bored piling projects" for further details.

We have used efforts to diversify our income source and pursue more profitable foundation works projects, such efforts included exploring business opportunities in Macau. One of the projects awarded in February 2017 is a bored piling project in Macau which has an initial contract sum of approximately MOP43.9 million. We have commenced operations for the Macau bored piling project as at the Latest Practicable Date and the project is expected to contribute revenue to our Group. During the Track Record Period, we have set up a new subsidiary, Ho Kit Construction, in Macau for carrying out foundation works in the city. When opportunities arise, while we primarily focus our foundation business in Hong Kong, we may continue to bid for foundation projects in Macau in the future.

Following the Track Record Period, we have been continuously approached by customers for submitting quotations or tenders for new projects. In this regard, our Directors have been cautiously optimistic in preparing our quotations with an aim to expand our business. Our Directors confirm that there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this prospectus, other than the impact of listing expenses.

SUMMARY

REASONS FOR THE LISTING

Our Directors believe that the Listing will enhance our profile and recognition, and hence our ability to attract new businesses. Our Directors consider that listing on GEM signifies a degree of financial strength of our Group which in turn our Directors believe is an important factor to be taken into account by our customers in evaluating our tenders, especially for large scale projects and projects in the public sector. In a fragmented industry in which our Group operates, our Directors are of the view that a public listing status of our Group would offer extra confidence to our customers as they can obtain public disclosure of information about our Group. In addition, our Board is also of the view that the Listing and the Share Offer will provide our Company with additional avenues to raise capital for our future business expansion and long-term development, and expand and diversify our capital base and Shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of our Company. The net proceeds from the Share Offer will also strengthen our financial position and significantly relax our working capital pressure. For details, please refer to the section headed “Business objective and Use of Proceeds” of this prospectus.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.28 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$21,013,000, of which approximately HK\$7,421,000 is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$13,592,000 is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$3,756,000 were charged to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and approximately HK\$9,836,000 is expected to be incurred for the year ending 31 March 2018. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We intend to raise funds by the Share Offer in order to pursue our business objective and strategies. For further details, please refer to the section headed “Business Objective and Use of Proceeds” in this prospectus. Assuming an Offer Price of HK\$0.28 per Offer Price, the net proceeds from the Share Offer, after deducting related expenses, are estimated to be approximately HK\$21.0 million. We currently intend to apply such net proceeds as follows:

	<u>Amount of net proceeds to be applied</u> (HK\$)	<u>Approximate % of net proceeds to be applied</u>
Expansion of our scope of services ^(Note)		
— Recruitment of a site agent, a quantity surveyor and an account manager to support our increasing foundation project works and business growth, as well as to support our quarterly reporting after the Listing	3.4 million	16.2%
Expansion of our capacity ^(Note)		
— Down payment for purchase of 1 set of crawler crane, oscillator and RCD rig, with a total expected cost of approximately HK\$22.5 million under finance leases	4.5 million	21.4%
— Repayment of the abovementioned finance lease payable	11.1 million	52.9%
General working capital	<u>2.0 million</u>	<u>9.5%</u>
Total	<u>21.0 million</u>	<u>100.0%</u>

Note: For details of our future plan and use of proceeds, please refer to the section headed “Business Objective and Use of Proceeds — Implementation plans” to this prospectus.

DIVIDENDS

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

Dividends may be paid only out of our Company’s distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. Our Group did not declare and pay any dividend during the Track Record Period, but this may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

SUMMARY

As at 31 March 2017, our Company had no distributable reserves available for distribution to the equity holders.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2017 (being the date of our latest consolidated financial statements were made up). Apart from listing expenses, we expect there will be higher administrative expenses for the appointment of the independent non-executive Directors as well as higher staff costs and higher finance costs after the Listing and our Directors are of the view that net profit of our Group for the year ending 31 March 2018 may be decreased. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2018.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our Group's financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2017 (being the date of which our Group's latest consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

OFFER STATISTICS

	<u>Based on the Offer Price of HK\$0.22</u>	<u>Based on the Offer Price of HK\$0.34</u>
Market capitalisation at Listing (<i>Note 1</i>)	<u>HK\$132,000,000</u>	<u>HK\$204,000,000</u>
Unaudited pro forma adjusted consolidated net tangible assets per Share (<i>Note 2</i>)	<u>HK\$0.12</u>	<u>HK\$0.15</u>

Notes:

1. The calculation of the market capitalisation of our Company is based on 600,000,000 Shares in issue immediately after the completion of the Share Offer.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma adjusted net tangible assets" in Appendix II to this prospectus and on the basis of 600,000,000 Shares in issue at the respective Offer Price of HK\$0.22 and HK\$0.34 per Share immediately after the completion of the Share Offer.

DEFINITIONS

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

“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s) or where the context requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 22 September 2017 and which will become effective upon Listing, as amended from time to time, a summary of which is contained in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Building Authority”	the Director of Buildings as defined in the Buildings Ordinance
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented on otherwise modified from time to time
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“C3J Development”	C3J Development Limited, a company incorporated in the BVI with limited liability on 7 December 2016 and wholly-owned by Mr. Tang

DEFINITIONS

“Capitalisation Issue”	the issue of 449,984,000 Shares to be made upon capitalisation of certain sums standing in the credit of share premium account of our Company referred to in the section headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 22 September 2017” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Beaver Group (Holding) Company Limited (永勤集團(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 3 January 2017, and whose shareholding structure is set out in the section headed “History, Reorganisation and Group Structure — Our Group structure” of this prospectus
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Construction Industry Council”	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of this prospectus refers to Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 22 September 2017 entered into between the Controlling Shareholders and our Company (for ourselves and as trustee for and on behalf of our subsidiaries), under which the Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the paragraph headed “Statutory and General Information — E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition entered into on 22 September 2017 between our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and each of the Controlling Shareholders, particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertakings” in this prospectus
“Development Bureau”	the Development Bureau of the Government
“Director(s)” or “our Directors”	the director(s) of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	the Environmental Protection Department of Hong Kong
“Everest Enterprise”	Everest Enterprise Company Limited (尖峰企業有限公司), a company incorporated in the BVI with limited liability on 24 January 2017 and is owned as to 50% each by Mr. Tang and Mr. Chui, respectively
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise from time to time
“Frontpage Capital”	Frontpage Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities of GEM
“Government”	the government of Hong Kong
“Group”, “our Group”, “we”, “us”, “Group Company”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or some or any of them
“HKFRSs”	the Hong Kong Financial Reporting Standards (including the Hong Kong Accounting Standards, amendments and interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“HK\$” or “Hong Kong dollars” “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Ho Kit Construction*”	濠傑建築工程一人有限公司, a company incorporated in Macau on 23 March 2017 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation (* <i>For identification purposes only</i>)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hunter Corporate”	Hunter Corporate Limited (亨泰企業有限公司), a company incorporated in the BVI with limited liability on 9 December 2016 and wholly-owned by Mr. Chui
“independent third party(ies)”	parties which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of and not connected with our Company and our connected persons
“Ipsos”	Ipsos Limited, a professional market research company and an independent third party
“Ipsos Report”	the industry report prepared by Ipsos on the market and competitive landscape of foundation industry in Hong Kong and Macau, the content of which is disclosed in this prospectus
“Joint Lead Managers”	Frontpage Capital and Pacific Foundation Securities Limited
“Labour Department”	the Labour Department of Hong Kong
“Latest Practicable Date”	19 September 2017, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about 16 October 2017, on which the Shares are listed and from which dealings therein are permitted to take place on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Longson Enterprise”	Longson Enterprise Development Company Limited (朗萊企業發展有限公司), a company incorporated in Hong Kong on 11 August 2014 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company as currently adopted
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Chui”	Mr. Chui Koon Yau (徐官有), being our executive Director and a Controlling Shareholder
“Mr. Tang”	Mr. Tang Kwai Leung Stanley (湯桂良), being our chairman, executive Director and a Controlling Shareholder
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer — Pricing and allocation” of this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively
“Pacific Foundation”	Pacific Foundation Securities Limited
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 135,000,000 new Shares initially offered by our Company for subscription and/or purchase at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 9 October 2017 by, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Bookrunner and the Placing Underwriters in respect of the Placing, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — The Placing” of this prospectus
“PRC” or “China”	the People’s Republic of China, except where the context requires otherwise, and for the purpose of this prospectus only, geographical references in this prospectus to the PRC or China exclude Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Company (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around 9 October 2017, on which the Offer Price is fixed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) for the purpose of Share Offer
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed “Structure and Conditions of the Share Offer” of this prospectus and the related Application Forms
“Public Offer Shares”	the 15,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as detailed in the section headed “Structure and Conditions of the Share Offer” of this prospectus

DEFINITIONS

“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” of this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 28 September 2017 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Bookrunner and the Public Offer Underwriters, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — The Public Offer — Public Offer Underwriting Agreement” of this prospectus
“Regulation S”	the Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation arrangement undergone by our Group in the preparation for the Listing as described in the section headed “History, Reorganisation and Group Structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“significant shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Bookrunner”	Pacific Foundation Securities Limited
“Sponsor”	Frontpage Capital, the sponsor of the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
“TMP Machinery”	TMP Machinery Engineering Limited (天能機械工程有限公司), a company incorporated in Hong Kong on 27 July 2010 with limited liability, which shall be an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
“Track Record Period”	comprises the financial years ended 31 March 2016 and 2017
“Triangular Force”	Triangular Force Construction Engineering Limited (遜傑建築工程有限公司), a company incorporated in Hong Kong on 10 January 2008 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Underwriters”	the underwriters of the Share Offer named in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, collectively
“U.S.” or “United States” or “US”	the United States of America
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States of America
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong 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 Hong Kong Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

DEFINITIONS

“m”	metre
“m ² ”	square metre

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

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names of the entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms and abbreviations in connection with our business used in this prospectus. The terms and their assigned meanings herein may not, however, correspond to their respective standard meanings or usages in the industry, as the terms may be.

“bellout”	an enlargement of the base area of a pile, formed in situ by undercutting (under-reaming) the soil or rock at the base of a bored pile
“bored pile”	a type of pile installed by machine boring down to the required level and subsequently filling the hole with concrete
“ISO”	acronym for a series of standards including quality management and environmental management standards published by International Organization for Standardization, a non-governmental organisation that has a central secretarial in Geneva, the Switzerland
“ISO 9001”	an international standard that gives requirements for an organisation’s quality management system
“ISO 14001”	an international standard that gives a framework for an environmental management system
“OHSAS”	acronym for Occupational Health and Safety Management System, which provides a framework for organisations to identify and control its health
“OHSAS 18001”	an international standard that gives a framework for an occupational health and safety management system
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“RCD rig”	reverse circulation drilling rig, a machinery used for drilling hard stratum and is required for the construction of bored piles

FORWARD-LOOKING STATEMENTS

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

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

FORWARD-LOOKING STATEMENTS

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

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

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

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

There are certain risks relating to an investment in the Shares. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the Share Offer; and (iv) risks relating to statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our historical revenue and profit margin may not be indicative of our future revenue and profit margin as our revenue is mainly derived from construction projects which are not recurring in nature and any decrease in the number of our projects would affect our operations and financial results

We are a subcontractor principally engaged in the foundation business in Hong Kong. We operate our business on a project-by-project basis and our projects are non-recurring. For the years ended 31 March 2016 and 2017, our revenue amounted to approximately HK\$86,604,000 and HK\$116,563,000, respectively. For the years ended 31 March 2016 and 2017, our gross profit margin was 28.3% and 17.3%, respectively. Thus, as with the case in the Track Record Period, our revenue and profit margins may fluctuate from one financial period to another financial period and project to project due to a number of factors including, but not limited to, those set out in the section headed “Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Revenue” and “Financial Information — Description of selected components of our consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin” in this prospectus. As such, there is no trend for our gross profit margin, which will also vary from project to project. Our quotations are subject to customers’ acceptance and assessment individually for each project and our customers do not take into account our level of profitability in other projects. Our historical financial information is a mere analysis of our past performance and may not have any implication on our financial performance in the future.

RISK FACTORS

Our revenue during the Track Record Period was derived from construction projects which are non-recurrent in nature. We generally do not enter into long-term agreements or master service agreements with our customers. As such, after completion of projects, our customers, which are construction contractors, are under no obligation to engage us again in subsequent projects, nor they are guaranteed to be awarded projects which our Group is able to undertake as their subcontractors. We have to undergo the entire quotation process for every new project. There is no guarantee that our existing customers will award new projects to us, nor is there any guarantee that we would be able to maintain our business relationship with existing customers. In addition, value of project works completed is not evenly distributed throughout the project period and would change over time depending on the actual progress. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume and value of future business.

In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results could hence be adversely affected.

Our business operations depend on the expertise and continuing performance of our key management personnel and there is no assurance that our Group can hire and retain them

Our executive Directors comprise a group of highly experienced individuals in the foundation industry, each of them has industry experience of at least 20 years. Mr. Tang, our chairman and an executive Director, has approximately 20 years' experience in the construction and foundation work industry. His experience, coupled with extensive knowledge of the foundation industry in Hong Kong, enables him to understand market dynamics and industry practice for foundation works. Mr. Chui, our executive Director, has over 26 years' experience in the construction and foundation works industry. Both Mr. Tang and Mr. Chui have established close relationships with our customers, suppliers and subcontractors. Ms. Chu Ka Ying, our chief financial officer, has solid experience in commercial accounting, administration and corporate governance.

Our key personnel as well as their management experience in the foundation industry in Hong Kong are crucial to our operation and financial performance. There is no assurance that our Group can retain the continuous services of our executive Directors and other members of senior management. There could be an adverse and material impact on the business, results of operation and profitability of our Group, should any of our executive Directors terminates his service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them.

RISK FACTORS

Our Group determines the project price based on the estimated time and costs involved in a project, which may deviate from actual time and costs incurred. Inaccurate estimation may adversely affect our financial results

We determine the project price based on our estimation of time required and costs involved in a project, plus a mark-up margin. There is no assurance that the actual time and costs would not exceed our original estimation during the implementation of our projects.

The actual time and costs involved in completing our foundation projects may be adversely affected by a number of factors that are beyond our control, including shortage and unexpected increase in construction materials and direct labour, delay in handover of project to us which would disturb our arrangement or resources, unforeseen site and ground conditions, adverse weather conditions, disputes with our subcontractors, work site accidents, changes in the Government's policy, and other unforeseen problems and circumstances. These factors can give rise to unexpected delays in completion and cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity. During the Track Record Period, due to the delayed handover of a project to our Group, the project recorded a gross loss for the year ended 31 March 2017, although it was overall profitable. Such project had a final contract sum of approximately HK\$24.0 million. We are not compensated if the actual costs of the project exceed our original estimates or the price agreed with the customer. Accordingly, there is always a risk that a construction project will result in overall loss. During the Track Record Period, no project completed by us was loss-making.

Failure to complete projects according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or termination of a project by customers may adversely affect our revenue or profitability as well as damage our reputation. We cannot guarantee that we will not encounter cost overruns or delays on our current and future foundation projects in which case we would exceed our budget or be required to pay liquidated damages with a consequential reduction in, or elimination of, the anticipated profits on our projects.

Our Group plans to expand our capacity by acquiring additional machinery and equipment, and such expansion may result in depreciation and other operational expenses which may adversely affect our operating results and financial position

For the years ended 31 March 2016 and 2017, our Group acquired new machinery and equipment for approximately HK\$21,679,000 and HK\$17,039,000, respectively; and the depreciation expenses related to our machinery and equipment amounted to approximately HK\$11,985,000 and HK\$13,021,000, respectively. In order to expand our capacity, we intend to apply approximately 23.7% of the net proceeds from the Share Offer as the down payment for acquisition of machinery and equipment. For details of the machinery and equipment to be acquired, please refer to the section headed "Business Objective and Use of Proceeds". With the intended acquisition of additional machinery and equipment, it is expected that additional

RISK FACTORS

depreciation and other operational expenses such as repair and maintenance costs may adversely affect our financial performance and operating results, regardless of whether we will have construction projects to utilise them.

Our Group's foundation works are exposed to the risk of unexpected geological or sub-soil conditions

Prior to commencement of our foundation works, our customers would normally provide us with ground investigation reports, and in the case of removal of existing foundation also the approximate positions of the piles to be removed. However, information contained in these reports or documents may not be sufficient to reveal the actual geology beneath the construction site due to limitation in the scope of the underground investigation reports, and the investigation may not be able to or sufficiently reveal the existence of rocks or to identify any antiquities, unexploded wartime bombs, monuments or structures beneath the ground. All these may eventually present potential issues, hazard and uncertainties in the carrying out of our foundation works, such as the possible increase in the complexity of the project resulting from additional work procedures, workers, equipment and time required to deal with any unexpected existence of rocks, antiquities unexploded wartime bombs, or monuments, which may also lead to additional costs to be incurred. Pricing of our projects is determined on a case-by-case basis having regard to various factors, which include our assessment of the complexity of the project having regard to all relevant information available to us, including the information contained in the ground investigation reports provided by our customers. The customer normally requires our Group to price the foundation works either on a lump sum basis for each pile or re-measurement basis based on a single unit rate for each metre of pile constructed, which should be an overall unit rate taking into account different materials of different strengths from the ground down to the bedrock. In essence, our Group needs to take up the risk of ground conditions and complete the foundation works without additional time and cost compensation even though the amount of hard obstructions turn out to be significantly more than that indicated by the available ground investigation information. Our Group may incur additional costs in dealing with such unforeseen conditions, which may lead to cost overruns and may thus materially and adversely affect our business operation and financial position.

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

We maintained certain registrations with the Buildings Department, including the Registered Specialist Contractor in the foundation and site formation works categories. In order to maintain such registrations, Triangular Force, our operating subsidiary, must have at least one Authorised Signatory to act for it for the purpose of the Buildings Ordinance and one Technical Director to carry out certain duties.

As at the Latest Practicable Date, the role of our Authorised Signatory and Technical Director were both taken up by Mr. Lau Jeff Tak Wai, our general manager.

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

Our Group may tender for private sector foundation or site formation projects as a main contractor, whose risk exposure may be very different than a subcontractor

During the Track Record Period, we undertook all of our projects as a role of subcontractor. Since February 2017 and April 2017, we have been registered as the Registered Specialist Contractor in the categories of foundation works and site formation works, respectively, with the Buildings Department and we will be qualified to carry out private sector foundation and site formation works as a main contractor in Hong Kong. In the future, our Group may submit tenders to bid for main contractor foundation as well as site formation projects. Customer backgrounds, project management requirements, liabilities, risk profile for a main contractor can be materially different from that for a subcontractor. We may also need to spend more than expected resources, for example, marketing ourselves to new customers which we have not directly dealt with when we were a subcontractor, in order to secure a main contractor foundation or site formation project and properly discharge our duties. Subsequent to the Track Record Period, we have been awarded by the Education Bureau one project for being the main contractor in an execution and lateral support foundation project, which is our Group's first ever project as a main contractor. Our results of operation for the Track Record Period, including profit margin and receivables collectability, cannot be indicative of our future performance when we act as a main contractor and potential investors should note our Group's lack of track record in undertaking foundation as a main contractor or experience in site formation neither main contractor nor subcontractor. As such, there is no assurance that our Group is able to secure main contractor foundation or site formation projects, or even though we are awarded such projects, we cannot assure you that our Group's profit margin for these projects can be consistent with the level we had been able to achieve during the Track Record Period.

We recorded net current liabilities position during the Track Record Period

Our Group recorded net current liabilities of approximately HK\$1,472,000 as at 31 March 2016 as we have invested substantial funds generated from our operations in the capital expenditures on the acquisition of machinery and equipment. Despite the net current assets being recorded at approximately HK\$288,000 as at 31 March 2017, there is no assurance that our Group's previous net current liabilities position will not impair our ability to make necessary capital expenditures, obtain external financings, defer payment to our suppliers or develop business

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opportunities. Please also refer to the section headed “Financial Information — Liquidity, financial resources and capital structure — Net current assets/liabilities” of this prospectus for discussion of our net current assets and liabilities.

Failure to invest in suitable machinery may adversely affect our market competitiveness

Our capacity to carry out works for our customers depends on, among other things, the availability of machinery that we own or leased from other third parties. Included in the section headed “Business — Machinery” in this prospectus are the details relating to our machinery. If we fail to stay abreast of market trends and invest in suitable machinery to cope with changing customer demands and specifications, our overall competitiveness and financial position and operation results may be adversely affected. For details about our plans on acquiring machinery, please refer to the section headed “Business Objective and Use of Proceeds” in this prospectus.

Any failure, damage or loss of our machinery may adversely affect our operations and financial performance

Our foundation projects depend on the use of machinery owned by us. There is no assurance that our machinery will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed or damaged machinery cannot be repaired or if any lost machinery cannot be replaced in a timely manner, our operations and financial performance could be adversely affected.

Non-performance, delayed performance, sub-standard performance, non-compliance or unavailability of our subcontractors may adversely affect our operation and profitability

We from time to time engage subcontractors to perform a portion of our works. We evaluate subcontractors by taking into account, among other things, their background, quality of services, skills and technique, delivery time, availability of resources in accommodating delivery requirement and reputation. However, there is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own operation staff and workers. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may experience deterioration in the quality or delivery of our works, incur additional costs due to the delays or a higher price to source a replacement for the subcontractor’s default, or be subject to liability under the relevant contract. Further, there is no contractual arrangement between our Group and the subcontractors requiring them to indemnify our Group for the liabilities arising from our customers or the employees of the subcontractors due to the subcontractors’ faults. Even though we may have a legal basis to recover loss from our subcontractors, disputes in actual amount of liabilities are likely to occur and we may incur additional cost, such as taking legal actions, to recover our loss. These events could adversely affect our profitability, financial performance and reputation, and result in litigation or damages claims.

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

In addition, there is no assurance that our Group will always be able to secure services from suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial position may be adversely affected.

Our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment would be paid to us on time and in full, or that retention money is fully released to us upon completion of a project

Our customers pay us by way of progress payment and withhold a portion of it as retention money. Set out in the section headed “Business — Customers, sales and marketing — Credit policy and retention money” are the relevant details. As at 31 March 2016 and 2017, our trade and retention receivables were approximately HK\$31,338,000 and HK\$42,784,000, respectively. In addition, our trade receivables turnover days were approximately 87.3 days and 93.2 days for the years ended 31 March 2016 and 2017, respectively. As at the Latest Practicable Date, approximately HK\$32,600,000 or 94.9% of our trade receivables as at 31 March 2017 had been settled. There is no assurance that progress payment will be paid to us on time and in full, or the retention money or any future retention money will be remitted by our customers to us on a timely manner and in full, or that the level of bad debt arising from such payment arrangement can be maintained at reasonable levels.

Non-compliance with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”) could lead to imposition of penalties or additional tax

During the Track Record Period, we have certain non-compliances with the IRO for failing to furnish profit tax returns within the prescribed time limit under section 51(1) of the IRO. For details, please refer to the paragraph headed “Business — Legal proceedings and Legal compliance — Non-compliance with Inland Revenue Ordinance” in this prospectus. Under the IRO, any person who without reasonable excuse fails to comply with the requirement of a notice given to him under section 51(1) is liable to a maximum fine of HK\$10,000 for each offence and a further fine of treble the amount of tax undercharged in consequences of the failure to comply with the notice under section 51(1).

Up to the Latest Practicable Date, we have not received any further notice for demand of payment of additional tax from the Inland Revenue Department (the “IRD”) or any notice of prosecution in respect of Longson Enterprise’s late filing of its profits tax return for the year of assessment 2014/15 in which Longson Enterprise reported no assessable profits. There is no assurance that the IRD will not take prosecution against our Group with result of potential maximum penalty of HK\$10,000 and further there is no assurance that the IRD will not reject

RISK FACTORS

Longson Enterprise's no assessable profits status reported in its 2014/15 profits tax return and raise assessment thereto with result of potential further fine of treble the amount of aforesaid tax undercharged raised by the IRD.

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

We rely on our suppliers for stable and timely delivery of construction materials and supplies which should meet our customers' specifications or enable our machinery to operate. For each of the years ended 31 March 2016 and 2017, our total purchase cost of construction materials and supplies amounted to approximately HK\$12,406,000 and HK\$26,268,000, respectively, representing approximately 20.0% and 27.3% of our total cost of sales, respectively. If there is any shortage of such materials or supplies, or material delay in delivery by our suppliers, or the delivered materials fail to comply with our customers' specifications, such as the strength requirement, we may fail to complete our projects on time or at all. There is no guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our reputation, business operations and financial results may be adversely affected. If there is any deterioration in the quality of construction materials and supplies from our suppliers, and we are unable to detect the defective materials or identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our reputation and adversely affecting our financial results.

Shortage of labour may affect the implementation of our projects and our performance

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees. There is no assurance that the supply of construction workers with relevant experience and skills and market labour costs will remain stable. According to the Ipsos Report, the problem of labour shortage threatens development in the construction industry as well as foundation industry in Hong Kong. The implementation of our projects is susceptible to risks associated with labour shortage. We cannot assure you that we will not experience the shortage of labour. If there is any significant increase in construction worker wages and staff costs, our project profitability and our financial performance may be adversely affected.

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

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

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Further, disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, the subcontracts may include variation clauses which empower our customers and/or the main contractors to give instructions to vary the contract works which we are generally obliged to follow. The value of such variations is usually firstly ascertained by reference to the rates and prices specified in the subcontracts for the like or analogous works. If no rates and prices are specified, or if they are not applicable, the variations should be value at rates agreed between the main contractors and our Group. In the event that we fail to reach an agreement, the rates shall be fixed by the client or the main contractors at a reasonable and proper price in their opinion. If we and the main contractors take different views on the valuation results, contractual disputes with our customers may arise.

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

There is no guarantee that we would not be subject to any claims in relation to defects of our works

We may be subject to claims in relation to defects of our works, which may result in further costs to investigate and/or make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us. Most of our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our works done. In the event that substantive remedial actions are required, we might have to incur significant costs and time or be subject to claims from our customers against us. If we fail to make good the defects as required, not only may our customers reduce or forfeit the retention monies withheld from us, our customers may claim significant liquidated damages against us, which would adversely affect our liquidity and cash flows and have a material adverse impact on our business, financial condition, reputation and prospect.

We are exposed to environmental liability

Our operations are subject to certain laws and regulations in relation to environmental protection. Included in the section headed “Business — Environmental protection” in this prospectus are our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance. Our Directors consider that our measures and work procedures adopted are appropriate and adequate. During the Track Record Period and up to the Latest Practicable Date, we did not have any violation of applicable environmental laws and regulations which would have had a material impact on our business, financial condition or results of operations. In the event that our Group fails to comply with the relevant laws and regulations in relation to environmental protection, we may be imposed fines and penalty by relevant authorities which would adversely affect our business, financial condition and

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results of operations. There is also tendency that more laws and regulations are effective to govern the protection of the environment and are relevant to the industry our Group operates. For example, the Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (Chapter 311R of the Laws of Hong Kong) came into effect in June 2015 which regulates, among others, the emissions of non-road mobile machinery. The cost of compliance with all the existing and new regulations may rise over time and would adversely affect our results of operations.

We are exposed to certain types of liabilities that are generally not insured against

During the Track Record Period, our Group maintained insurance coverage against, among others, liabilities under the Employees' Compensation Ordinance and third-party liability for bodily injury occurring in our office premises. Included in the section headed "Business — Insurance" in this prospectus are the relevant details. Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arise, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

There is no guarantee that safety measures and procedures implemented at construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn might lead to claims in respect of employees' compensation, personal injuries, and/or property damage against us

We are committed to providing a safe and healthy working environment. However, we cannot guarantee that all of the safety measures and procedures are strictly adhered to at all times, nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. If the safety measures and procedures implemented at construction sites are insufficient or not strictly adhered to, it may result in industrial accidents which would in turn lead to prosecution by relevant Government departments claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damage against us. These would result in work stoppage and delay significant financial loss, damages to our reputation in the industry, and adversely affect our financial condition.

We did not declare any dividend during the Track Record Period but this may not be indicative of whether or not the dividend will be declared or paid in the future

For the years ended 31 March 2016 and 2017, our Group did not declare any dividend. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine as important. For further details of the dividend policy of our Company, please refer to the section headed "Financial Information — Dividends" in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

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RISKS RELATING TO OUR OPERATION IN MACAU

We have a short operating history in Macau

Hong Kong's foundation industry has been our Group's primary market. Although our Directors have construction working experience in Macau, our Group has not completed any projects in Macau during the Track Record Period and was only awarded one foundation contract in Macau in February 2017. Since regulations, labour culture and quality requirements for bored piling works may not be the same as those in Hong Kong, we may encounter risks frequently experienced by companies with early stage of operations. Some of the risks relate to our ability to respond to changes in the regulatory environment in Macau, to attract and retain qualified labour, and to respond to changing quality requirement. Results of operations for the Track Record Period may also not be indicative for our operations in Macau, as all of our turnover during the Track Record Period was derived from Hong Kong. Due to our relatively short operating history in Macau, we cannot guarantee that we are able to attract new business opportunities when competing with other more well-established companies in the foundation industry in Macau. We therefore cannot assure you that we can operate in the same manner in Macau as we operated in Hong Kong or achieve the same profitability in Macau as reflected in our consolidated financial statements for the years ended 31 March 2016 and 2017.

Our business could be affected by the limitations of the Macau Pataca exchange markets

During the Track Record Period, we have been awarded one foundation contract in Macau with an initial contract sum denominated in Macau Patacas of approximately MOP43.9 million in February 2017. Although it is currently permitted, we cannot assure you that the Patacas will continue to be freely exchangeable into Hong Kong dollars. Also, as the currency market for Macau Patacas is relatively small and undeveloped, our ability to convert large amounts of Patacas into Hong Kong dollars over a relatively short period may be limited. As a result, we may experience difficulty in converting Macau Patacas into Hong Kong dollars for the revenue we generated from those foundation contracts in Macau.

The economy of Macau may adversely affect our performance and financial condition

All of our revenue was derived from Hong Kong during the Track Record Period. But as we were awarded a foundation project in Macau in February 2017, our performance and financial condition will be dependent on the state of the economy in Macau. We have been awarded one foundation contract in Macau with an initial contract sum of approximately MOP43.9 million in February 2017 and we have commenced project work in this contract as at the Latest Practicable Date. This contract represents a substantial size of our backlog. Conducting foundation works business in Macau involves certain risks not typically associated with investments in companies with operations in Hong Kong. Such risks include those relating to changes in Macau's economic conditions. According to the Ipsos Report, estimated gross output value of the foundation industry in Macau is projected to rise at a CAGR of about 1.2% from 2017 to 2021, down significantly from CAGR of 38.7% from 2011 to 2016. Going forward, we may continue to seek business opportunities in Macau to grow our business, therefore, any downturn in the Macau construction

RISK FACTORS

industry is likely to have an adverse impact on our growth potential and profitability due to the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables.

RISKS RELATING TO OUR INDUSTRY

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

Our performance and financial condition are heavily dependent on the state of economy in Hong Kong where we generate most of our revenue. The future growth and level of profitability of the foundation industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of our projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong Government's spending patterns on housing and infrastructure, the investment of property developers and the general conditions and prospects of the economy. Apart from the public spending of the Government, there are numerous factors affecting the foundation industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for foundation works in Hong Kong deteriorate, our operations and profits could be adversely affected.

The foundation industry in Hong Kong has been facing the problem of labour shortage and ageing workforce

According to the Ipsos Report, the Hong Kong foundation industry has been facing the problem of labour shortage and ageing workforce, which is one of the threats to the foundation industry. Please refer to the section headed "Industry Overview" in this prospectus for details. According to the Construction Industry Council, about 42.9% of the 408,990 registered workers who have been in the construction industry aged over 50 in December 2016. The problem of labour shortage and ageing workforce led to the average foundation industry worker wages per day having increased from approximately HK\$842.3 in 2011 to approximately HK\$1,334.3 in 2016 representing a CAGR of 9.6%. For further information regarding the problem of labour shortage and ageing workforce faced by the foundation industry in Hong Kong, please refer to the section headed "Industry Overview — Threats to the foundation industry" in this prospectus.

The problem of labour shortage and ageing construction workers has become serious with the increasing demand of construction workers from the PRC and Macau. In the event that we fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future jobs and/or there is a significant increase in the costs of labour, we may not be able to complete our jobs on schedule and/or within budget and our operations and profitability may be adversely affected.

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Our direct staff cost amounted to approximately HK\$20,614,000 and HK\$26,118,000, representing approximately 33.2% and 27.1% of the cost of sales, respectively for the years ended 31 March 2016 and 2017. The supply and cost of labour in Hong Kong are affected by the availability of labour in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no guarantee that the supply of labour and labour costs will be stable and that our Group will be able to identify and recruit staff members in replacement in a timely manner, failing which there could be an adverse effect on our Group's operation.

Rising construction costs, including the costs of construction workers and construction materials, may increase our cost of operation

According to the Ipsos Report, the foundation industry in Hong Kong has been facing the problem of increasing operating costs. The increase in operating costs is mainly attributed to the wage trend of construction workers. Although according to the Ipsos Report, major construction material costs, such as Portland cement and steel reinforcement, have been decreasing in recent years, their trends are possible to reverse in future, which could therefore add to burden of our operations. Any substantial increase in our costs of operation may materially and adversely affect our business and financial positions and prospect.

Personal injuries, property damages or fatal accidents may occur at construction sites

Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at construction sites. There is no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites and/or to implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents may lead to the non-renewal of our registrations with the Buildings Department as a Registered Specialist Contractor.

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

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect the economy, the foundation industry and our business. Our operations and financial condition may be adversely affected. In recent years, filibustering has become a political norm in the Legislative Council, slowing down the approval of Government spending and causing delay in public work expenditure. Political unrest is causing damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

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

Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have caused various degrees of damage to the economy of Hong Kong and, in turn, the foundation industry. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may suffer which will in turn adversely affect our results of operations.

We operate in a competitive industry

We operate in a competitive industry where new market participants may emerge provided that they possess the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite registrations by the relevant governmental authorities. Our sub-contractors may pose as our potential competitors. Some of our competitors may have certain advantages, including but not limited to having long operating history, better financing capabilities and well developed technical expertise. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results. We cannot guarantee that we can effectively cope with the enhanced competition in the future or that we can maintain our market position in the industry.

Changes in existing laws, regulations and Government policies may cause our Group to incur substantial additional expenditure

Many aspects of our business operation are governed by various laws and regulations and government policies in Hong Kong and Macau. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the foundation industry may change from time to time and there is no assurance that we will be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. For example, if there are any changes to and/or imposition of the requirements for qualification in the foundation industry in relation to environmental protection and labour safety, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

An active trading market of the Shares may not develop

Prior to the Listing, there has been no public market for the Shares. The initial Offer Price range for the Offer Shares was the result of negotiations among our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Share Offer. However, even if approved, being listed on GEM does not guarantee an active trading market for the Shares following the Share Offer

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or that the Shares will always be listed and traded on GEM. Our Group cannot assure that an active trading market will be developed or maintained following completion of the Share Offer, or that the market price of the Shares will not fall below the Offer Price.

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

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group's services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

The Sole Bookrunner are entitled to terminate the Underwriting Agreements

Prospective investors should note that the Sole Bookrunner (for itself and on behalf of the Sponsor and the Underwriters) are entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to our Company upon the occurrence of any of the events set out in the section headed "Underwriting — 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, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

Investors will experience an immediate dilution if our Company issues additional Shares or other securities in the future

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Listing. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$0.12 per Share and approximately HK\$0.15 per Share based on the Offer Price of HK\$0.22 per Offer Share and HK\$0.34 per Offer Share, respectively.

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

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In addition, 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.

Any options granted under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership

Our Company may grant share options under the Share option Scheme in the future. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated statements of comprehensive income of our Group over the vesting periods of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.

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

The Shares held by the Controlling Shareholders are subject to a lock-up period beginning on the date on which trading in the Shares commences on GEM. There is no assurance that the Controlling Shareholders will not dispose of their Shares after the lock-up period. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial Shareholder or Controlling Shareholders, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholders may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholders or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

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RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from public sources or other sources. In addition, 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, in part, from various publications and industry-related sources prepared by government departments or independent third parties. Certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. However, our Company, the Sponsor, the Joint Lead Managers, the Sole Bookrunner, the Underwriters, any of their respective directors nor any other parties involved in the Share Offer have independently verified or make any representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus. (For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this prospectus.)

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial objections, valuations or other forward-looking statements

Prior to the publication of this prospectus, there may be press or other media which contains information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters, or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer had authorised the disclosure of such information in any press or

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media, neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy of completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness of any such information or publication. To the extent that any such information is not contained in this prospectus or inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Shares. You should rely on the information contained in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer and the listing of the Offer Shares, which is sponsored by the Sponsor. The Public Offer Shares are fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Shares will be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement subject to the Offer Price being fixed by Price Determination Agreement. For further information about the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer of the Offer Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit an offer or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

constitute, an offer or invitation in relation to the Share Offer in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

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 any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

No invitation may be directly or indirectly by or on behalf of our Company to the public in the Cayman Islands to subscribe for or acquire any of the Offer Shares. The Share Offer is made solely on the basis of the information contained and representations made in this prospectus. 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 herein must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Bookrunner and the Joint Lead Managers, and any of their respective directors or affiliates of any of them or any other person and party involved in the Share Offer. The contents as shown in the website of our Company of www.beavergroup.com.hk do not form part of this prospectus.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. Prospective investors 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 GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. No part of the Share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void. 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 GEM unless the Stock Exchange otherwise agrees. A total of 150,000,000 Offer Shares for subscription, which represent 25.0% of the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Company's enlarged issued share capital will be in the hands of the public immediately following the completion of the Share Offer and the Capitalisation Issue and upon Listing (assuming the options that may be granted under the Share Option Scheme are not exercised).

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the "minimum prescribed percentage" of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, 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 for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by our Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by the Company's principal share registrar and transfer office in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to the Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained in the Cayman Islands will not be subject to the Cayman Islands stamp duty except where our Company holds interests in land in the Cayman Islands.

Unless determined otherwise by our Company, dividends in respect of Shares will be paid to the Shareholders by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Monday, 16 October 2017. Shares will be traded in board lots of 10,000 Shares each. The stock code for the Shares is 8275. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second business day following the transaction date. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

Our Directors believe that the Listing will enhance our profile and recognition, which gives more confidence to our customers. In addition, the estimated net proceeds (based on the mid-point of the Offer Price) from the Share Offer of approximately HK\$20,987,000 will provide additional resources to our Group to expand our business and improve our capital base. The Listing and the Share Offer will also provide our Group with additional avenues to raise capital for our future business expansion and long-term development, and expand and diversify our capital base and Shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of our Company.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

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

EXCHANGE RATE CONVERSIONS

For exchange rate conversions throughout this prospectus, unless otherwise specified, translations of (i) HK\$ into US\$ and US\$ into HK\$ and (ii) HK\$ into MOP and MOP into HK\$ in this prospectus are based on the rates set out below respectively (for the purpose of illustration only):

US\$1.00: HK\$7.80

MOP1.00: HK\$0.95

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

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Tang Kwai Leung Stanley (湯桂良)	2/F, 1 Lake Court Sai Kung New Territories Hong Kong	Chinese
Mr. Chui Koon Yau (徐官有)	Flat D, 8/F, Block 22 Double Cove Starview Prime Wu Kai Sha Double Cove Ma On Shan New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Cheung Chung Chuen George (張宗傳)	Flat K, 5/F, Block 2 Broadview Court 11 Shum Wan Road Shum Wan Hong Kong	Chinese
Mr. Leung Wai Hung (梁偉雄)	Flat A, 12/F, The Java 98 Java Road North Point Hong Kong	Chinese
Mr. Law Ching Ning Paschal (羅政寧)	Flat H, 2/F Marconi Court 2 Marconi Road Kowloon Tong Kowloon Hong Kong	Australian

Further information about our Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong <i>(A licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)</i>
Joint Lead Managers	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong Pacific Foundation Securities Limited 11th Floor New World Tower II 16–18 Queen’s Road Central, Hong Kong
Co-managers	ChaoShang Securities Limited Rm 4001–2, China Resources Building, 26 Harbour Road Wan Chai Hong Kong Astrum Capital Management Limited Room 2704, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Hong Kong
Sole Bookrunner	Pacific Foundation Securities Limited 11th Floor New World Tower II 16–18 Queen’s Road Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

as to Hong Kong law:

T. S. Chu Lawyers

Room 1003, 10th Floor

Jubilee Centre

46 Gloucester Road

Wanchai

Hong Kong

(Solicitors of Hong Kong SAR)

as to Cayman Islands law:

Appleby

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

(Cayman Islands attorneys-at-law)

as to Macau law:

MdME

Avenida da Praia Grande, 409

China Law Building

21st Floor and 23/F A–B

Macau

(Macau attorneys-at-law)

Legal adviser to the Sponsor

as to Hong Kong Law:

CFN Lawyers

in association with Broad & Bright

Room 4124, 41st Floor

Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

(Solicitors of Hong Kong SAR)

Reporting accountants and auditors

RSM Hong Kong

29th Floor, Lee Garden Two

28 Yuen Ping Road

Causeway Bay

Hong Kong

(Certified Public Accountants)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Market research consultant

Ipsos Limited

22nd Floor, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Receiving Bank

Standard Chartered Bank (Hong Kong) Limited

15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon, Hong Kong

CORPORATE INFORMATION

Headquarters and principal place of business in Hong Kong under Part 16 of the Companies Ordinance	Unit 1503, 15th Floor Peninsula Square 18 Sung On Street Hung Hom, Kowloon Hong Kong
Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Company's website	www.beavergroup.com.hk <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Chu Ka Ying (朱嘉瑩) (CPA) Flat B, 7/F, New Mansion 6 New Street Hong Kong
Authorised representatives	Mr. Tang Kwai Leung Stanley (湯桂良) 2/F, 1 Lake Court Sai Kung, New Territories Hong Kong Ms. Chu Ka Ying (朱嘉瑩) (CPA) Flat B, 7/F, New Mansion 6 New Street Hong Kong
Compliance officer	Mr. Tang Kwai Leung Stanley (湯桂良) 2/F, 1 Lake Court Sai Kung, New Territories Hong Kong
Audit committee	Mr. Leung Wai Hung (梁偉雄) (Chairman) Mr. Law Ching Ning Paschal (羅政寧) Mr. Cheung Chung Chuen George (張宗傳)

CORPORATE INFORMATION

Remuneration committee	Mr. Law Ching Ning Paschal (羅政寧) (<i>Chairman</i>) Mr. Leung Wai Hung (梁偉雄) Mr. Cheung Chung Chuen George (張宗傳)
Nomination committee	Mr. Cheung Chung Chuen George (張宗傳) (<i>Chairman</i>) Mr. Leung Wai Hung (梁偉雄) Mr. Law Ching Ning Paschal (羅政寧)
Cayman Islands principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	Frontpage Capital Limited 26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong
Principal bankers	Nanyang Commercial Bank, Limited 1st Floor 472 Hennessy Road Causeway Bay Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

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

SOURCE OF INFORMATION

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of foundation industry in Hong Kong and Macau, at a fee of HK\$326,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,000 personnel worldwide across 88 countries.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering such as: (i) desk research; (ii) client consultation to understand the background information about our Company; and (iii) primary research by interviewing key stakeholders and industry experts including but not limited to foundation contractors and companies providing such services. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, information gathered can be cross-referenced to ensure accuracy. Nevertheless, we cannot assure you regarding the accuracy or completeness of the factors, forecasts and statistics in this prospectus obtained from sources such as government publications, market data providers and the Ipsos Report.

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

ASSUMPTIONS USED IN THE IPSOS REPORT

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

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

MACROECONOMIC ENVIRONMENT IN HONG KONG

Hong Kong's GDP and GDP growth rate

Hong Kong's GDP growth rate declined from 4.8% in 2011 to 1.7% in 2012, owing to sluggish recovery from the European debt crisis. The rate rose to 3.1% in 2013, driven by surging demand from domestic and Chinese visitors. However, the rate decreased modestly to 1.9% in 2016 due to weak domestic demand and tourist spending. The GDP growth rate is expected to increase from 2.4% in 2017 to 3.1% by 2021, leading to a GDP value of HK\$3,109.5 billion in 2021, from HK\$2,589.2 billion in 2017. The increase can be attributed to the growth in export value as well as investment inflow from China to Hong Kong, as 60% of China's outbound investments are channeled through Hong Kong.

Gross fixed capital formation value in Hong Kong

The gross fixed capital formation value in Hong Kong increased gradually to about HK\$536.2 billion in 2016 from about HK\$455.3 billion in 2011, at a CAGR of 3.3%. This growth is attributed to the increasing number of construction projects in both general building and civil engineering, particularly in infrastructure projects. Specifically, public expenditure on infrastructure in Hong Kong increased at a CAGR of 12.0% during 2011–2016. For example, the Guangzhou-Shenzhen-Hong Kong Express Rail Link — the construction of which commenced in January 2010 and is targeted to be completed by the third quarter of 2018 — is one of the large-scale infrastructure projects that required significant fixed capital investment. In addition, the construction of a third runway at the Hong Kong International Airport is expected to drive the gross fixed capital formation value. The ongoing and upcoming construction projects in both public and private sectors are expected to fuel the growth in gross fixed capital formation in Hong Kong.

MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG AND MACAU

Hong Kong

Total investment value in construction projects increased steadily from 2011 to 2015

The total investment value in construction projects in Hong Kong grew from about HK\$203.6 billion in 2011 to approximately HK\$334.0 billion in 2015, at a CAGR of 13.2%. The Hong Kong government has been increasing its infrastructure investment over the past few years in order to achieve its objective of promoting economic growth. For example, the “Ten Major Infrastructure Projects” drove the total investment value in building construction in the last few years. Investment in construction projects increased owing to the higher cost of construction works such as the rising cost of raw materials, labour, and fee to subcontractors. For instance, the average daily wage of construction workers increased from HK\$867.3 in 2011 to HK\$1,293.8 per worker in 2016, at a CAGR of approximately 8.3%. The public expenditure on infrastructure in Hong Kong grew significantly, from about HK\$52.5 billion in 2011 to about HK\$92.6 billion in 2016, at a CAGR of 12.0%.

The Housing Authority has taken measures to meet Hong Kong’s demand for Public Housing

The number of new public housing units produced increased from 13,672 in 2011 to 14,264 in 2016 in Hong Kong. The number has fluctuated over the period between 2011 and 2016, at a CAGR of 0.9%. The decline in 2015 can be attributed to the considerable number of public housing projects completed in 2014.

The government, through the Hong Kong Housing Authority (“HKHA”), aims to provide public rental housing to people with low incomes and who cannot afford private rental accommodation. The HKHA also maintains the average waiting time at about three years which may be partly attributable to high demand. On top of its plans to build about 75,000 flats over a five-year period starting from 2012/2013, the HKHA plans to build 17,000 Home Ownership Scheme flats over the next four years starting from 2016. In Hong Kong, as the steep property prices, large income gaps, and inequalities reinforce the demand for public housing. Large numbers of public housing units are expected to be constructed to accommodate the increasing numbers of applicants on the waiting list. As of March 2017, there are approximately 275,900 households on the waiting list.

Estimated output volume of building properties completed in Hong Kong

Office buildings

The gross floor area of office buildings completed grew steadily from 155,000 m² to 153,000 m² from 2011 to 2016. The growth was attributed to the increasing number of multinational companies and companies from the PRC setting up offices in Hong Kong. As the Government continues to take measures to increase supply of commercial sites and floor space, such as (i) converting suitable

INDUSTRY OVERVIEW

Government properties and “Government, Institution or Community” sites in core business district to commercial use; and (ii) rezoning land use and redevelopment of industrial buildings to promote the transformation of Kowloon East into the second core business district, it is expected that there will be a continual increase in the number of office buildings.

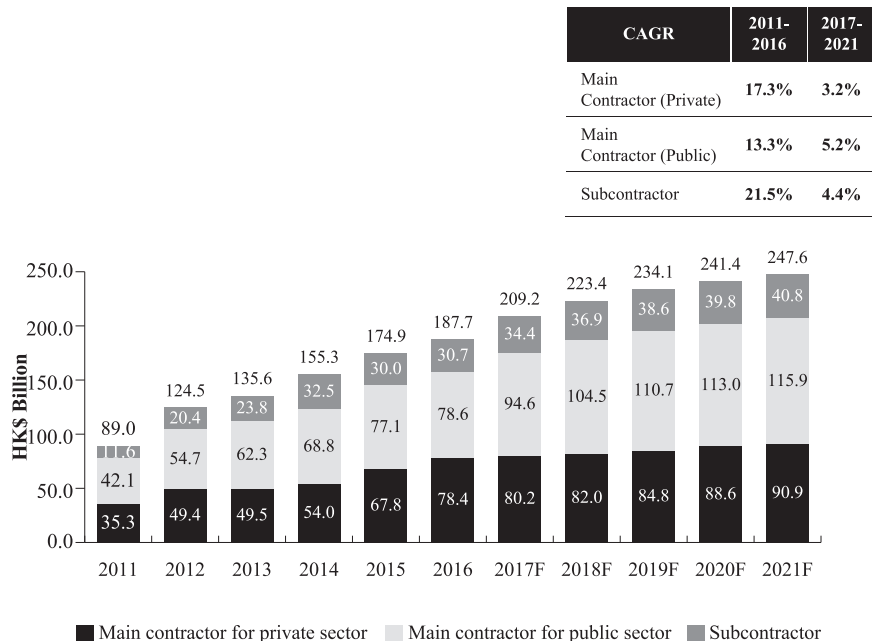
Private commercial premises

The gross floor area of private commercial premises completed increased from 42,000 m² to 123,000 m² from 2011 to 2016. The growth in the Hong Kong population, from 7.0 million to 7.3 million, was one of the reasons contributing to the increase in private commercial premises to meet the increasing demand for services, e.g. public services, retail, restaurants, etc. Also, the healthy development of tourism from 2011 to 2014 also has a positive contribution on the growth of private commercial premises such as shopping malls over the past few years. With a continual increase in Hong Kong population and a number of measures from the Government with the aim of promoting Hong Kong tourism, it is expected that there will be a continual increase in private commercial premises in Hong Kong.

Gross output value of construction works in Hong Kong

Revenue of construction works in Hong Kong

The chart below sets forth the revenue of construction works in Hong Kong from the year 2011 to 2021.



Source: Ipsos Research and Analysis

INDUSTRY OVERVIEW

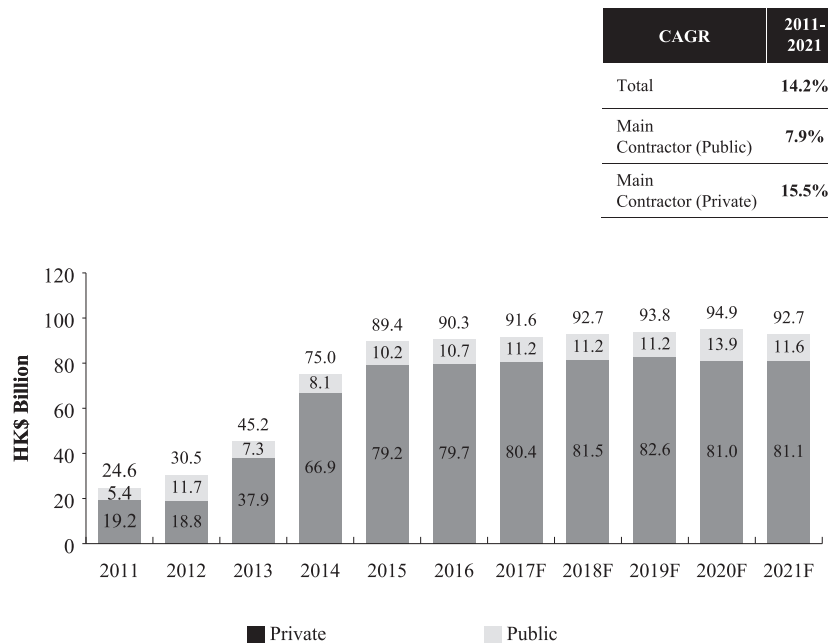
The total gross output value of construction works in Hong Kong increased from HK\$89.0 billion in 2011 to HK\$187.7 billion in 2016, at a CAGR of approximately 16.1%. Among the three categories, namely main contractors for private sector, main contractors for public sector and subcontractors, the total gross output value of construction works performed by subcontractors increased at the highest CAGR of approximately 21.5% during the same period, while the total gross output value of construction works performed by main contractors in the public sector experienced the lowest CAGR of approximately 13.3%.

During the forecast period from 2017 to 2021, the total gross output value of construction works performed by subcontractors is expected to see a slower CAGR of approximately 4.4%. Meanwhile, the total gross output value of construction works performed by main contractors in the public sector is expected to experience the highest CAGR of approximately 5.2%, while that of main contractors in the private sector is estimated to experience the lowest CAGR of approximately 3.2%.

Macau

Gross output value of construction works in Macau

The chart below sets forth the revenue of construction works in Macau from the year 2011 to 2021.



Source: Ipsos Research and Analysis

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Gross output value of construction works in Macau increased from about MOP24.6 billion in 2011 to about MOP90.3 billion in 2016, at a CAGR of 29.7%. From 2011 to 2016, the gross output value of construction works in Macau performed by the private sector which was mainly driven by the construction of major hotels and casinos, such as Parisian Hotel by Sands China Limited and the Galaxy Macau Phase 2, experienced a positive growth at a CAGR of 33.0%. Meanwhile, public construction projects, such as the Macau Light Rapid Transit System, the Hengqin New Area development project, and the Hong Kong-Zhuhai-Macau bridge also contributed to the growth in the construction industry. These projects have driven the public sector construction industry in Macau over 2011 to 2016.

Gross output value of construction works in Macau is expected to increase from about MOP91.6 billion in 2017 to about MOP92.7 billion by 2021, at a CAGR of 0.3%. According to Macau 2016 Policy Address, the government will make efforts to progressively promote the public housing planning and increase public housing supply. From 2017 to 2021, the gross output value of construction works for the private sector in Macau is expected to increase at a CAGR of about 0.2% from 2016 to 2021 driven by the wave of future development in Cotai (known as Cotai 2.0), with the six of Macau's gaming concessionaires extending existing casino properties and resorts as well as scheduled private residential projects.

OVERVIEW OF FOUNDATION INDUSTRY, ESPECIALLY FOUNDATION SUBCONTRACTING WORKS IN HONG KONG AND MACAU

Hong Kong

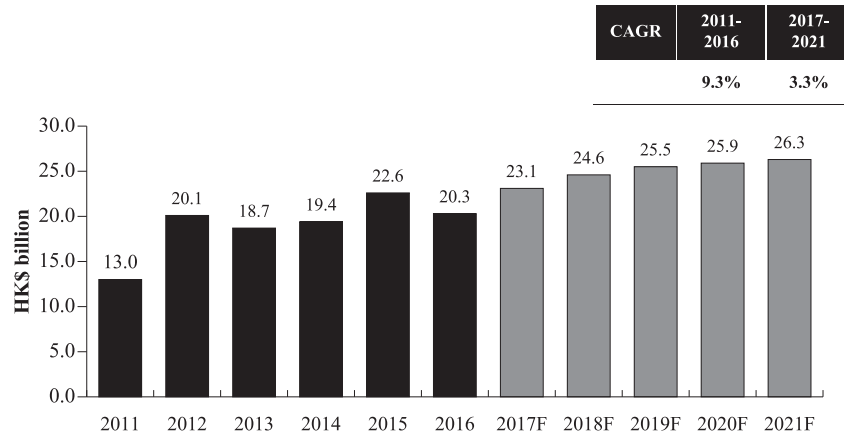
The developments in the construction industry and the foundation industry are positively correlated

Demand for foundation works depends largely on demand for construction works, as common foundation works such as drilling and piling are usually conducted only after a construction project starts. As such, the revenue growth in the foundation industry is close to that in the construction industry. During 2011 and 2016, the two industries grew at CAGRs of 9.3% and 16.1%, respectively. The factors driving the foundation industry are faced commonly by both foundation main contractors and subcontractors. In 2016, the revenue of Hong Kong's foundation industry accounted for 10.8% of the gross output value of construction works performed by main contractors and subcontractors at local construction sites, suggesting the importance of foundation works in a construction project.

INDUSTRY OVERVIEW

Revenue of the foundation industry in Hong Kong

The chart below sets forth the revenue of the foundation industry in Hong Kong from the year 2011 to 2021.



Source: Ipsos Research and Analysis

The total revenue of the foundation industry increased from approximately HK\$13.0 billion in 2011 to approximately HK\$20.3 billion in 2016 at a CAGR of 9.3% during 2011 and 2016. As foundation works such as piling works are carried out only after a construction project has commenced, the growth in the foundation industry reflects that of the entire construction industry. The increasing revenue of the foundation industry during 2011 and 2016 was partly driven by the public sector, for instance, the Ten Major Infrastructure Projects and the Public Housing Development Program.

The revenue of the foundation industry is forecast to increase at a CAGR of about 3.3% over 2017 to 2021, from HK\$23.1 billion to HK\$26.3 billion due to the steady supply for residential and commercial buildings as well as infrastructure projects in both public and private sectors. In the 2017 Policy Address, housing policies were launched to continue increasing the residential housing supply. For instance, the Housing Authority and the Hong Kong Housing Society (HKHS) will produce about 94,500 public housing units, of which about 71,800 will be public rental house units and about 22,600 will be subsidised sale flats.

Macau

The private developers and the Macau government departments are the two major groups of clients for foundation works industry

The private developers in the gaming industry (e.g., Melco, SJM and Wynn) and the Macau government departments (e.g. Direcção dos Serviços de Solos, Obras Públicas e Transportes (Land, Public Works and Transport Bureau of the Macau Special Administrative Region) are the main

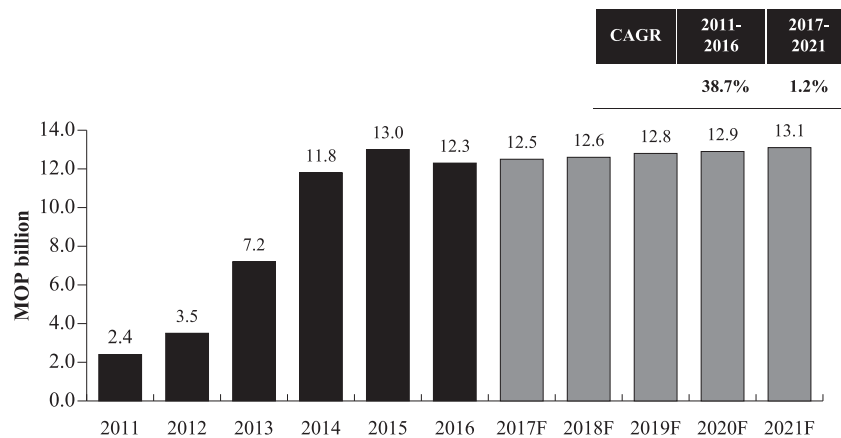
INDUSTRY OVERVIEW

clients driving the growth in the foundation works industry in Macau. The private residential projects, casino and resort projects drive the demand for the foundation contracting works, though these projects are often government-led. For instance, the liberalisation of the gaming industry and the number of concessions granted in 2002 drove the development of casinos and resort projects.

The Macau government aims to progressively increase the public housing supply. The 2009–2010 Policy Address stated that the Macau government aims to construct at least 19,000 public housing units by 2012, and launch the “2010–2020 Long-Term Housing Strategy” to ensure a stable housing supply, as favorable policies drive the demand for foundation contracting works. According to the 2014 Policy Address, the Macau government has implemented the construction of 19,000 public housing units and started to implement “post-19,000 units” public housing projects, which involves the construction of transportation and social facilities, continuing to increase the public housing supply and to meet the growing demand of public housing.

Revenue of the foundation industry in Macau

The chart below sets forth the revenue of the foundation industry in Macau from the year 2011 to 2021.



Source: Ipsos Research and Analysis

The estimated gross output value of the foundation industry in Macau increased rapidly, from about MOP2.4 billion in 2011 to about MOP12.3 billion in 2016, representing a CAGR of about 38.7%. The substantial increase during 2011-2015 was attributed to large-scale construction projects, such as the expansion of high-speed railway linking the mainland to Macau, and the construction of new private houses, hotels and gaming facilities. The gross output value of foundation industry, therefore, was surged considerably since 2011.

The estimated gross output value of the foundation industry in Macau is projected to rise from about MOP12.3 billion in 2017 to about MOP13.1 billion in 2021, at a CAGR of about 1.2%. The gross output value of foundation industry in Macau will grow over 2017 to 2021, led by the future development of casinos in Macau. The government initiatives to increase the public housing supply are expected to drive the demand for foundation works over 2016 to 2020 as well. According to the

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Macau 2014 Policy Address, the government has begun to execute the ‘post-19,000 units’ plan to meet the public housing demand. According to the Macau 2016 Policy Address, the government will progressively make an effort on increasing the public housing supply.

BORED PILE CONSTRUCTION

Risks of bored pile construction

The bored pile foundation industry was in a turmoil time after the short pile scandals discovered in 1997 which had resulted in a large extent of remedial works/piles to be carried out and in an extreme case, some newly completed housing blocks were demolished. The impact of these incidents to the industry was that it had triggered a series of changes on the construction and supervision practices on foundation works. If a bored pile is suspected to be defective, very costly and time-consuming investigatory work in the form of multiple cored holes has to be carried out to determine the extent of the defective area. After this is ascertained, expensive remedial work needs to be carried out. In the extreme case, a new pile has to be designed and constructed to replace the defective pile. Further, during the construction of bored pile, the ground conditions (for example the presence of multi-layer of boulder and/or hard materials) may lead to situation such that the temporary casing cannot be retrieved after concreting work. Highly skillful workers and experienced supervisors are required to control the piling process to minimise the risks as stated above.

Importance of skills and techniques

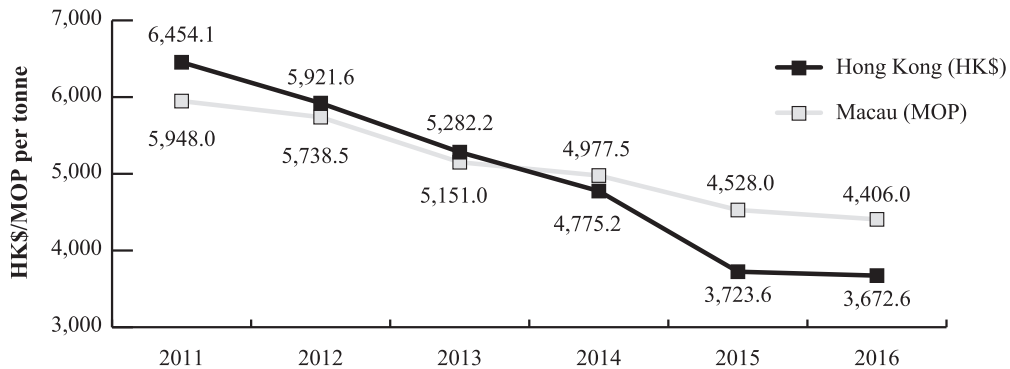
In general, piling contractors develop a number of measurements to reduce the likelihood of faults and defects. However, there are some factors which may influence the quality of bored piles in a particular site such as (i) the variability of ground conditions across the site; (ii) knowledge of specific ground condition gained from site specific ground investigation work; (iii) appropriateness of piling method; (iv) intensity of programme pressure on the piling work; (v) effect of ground movement; and (vi) appropriate method in pile installation. Faults or errors occurred in the bored pile construction process may adversely impact the performance, safety and durability of the pile. For projects involving bored piles, the situation is particularly critical as each pile is required to carry a very high load as compared with other pile types such as driven H-pile or socketed H-pile. Any defects found in a single pile could well mean that the stability of the entire superstructure will be endangered. As bored piles are commonly constructed to great depth and may be even up to 100 m below the ground surface and all works are executed by workers and equipment operating at the ground level, the workmanship of the labour is of paramount importance in ensuring the quality of pile.

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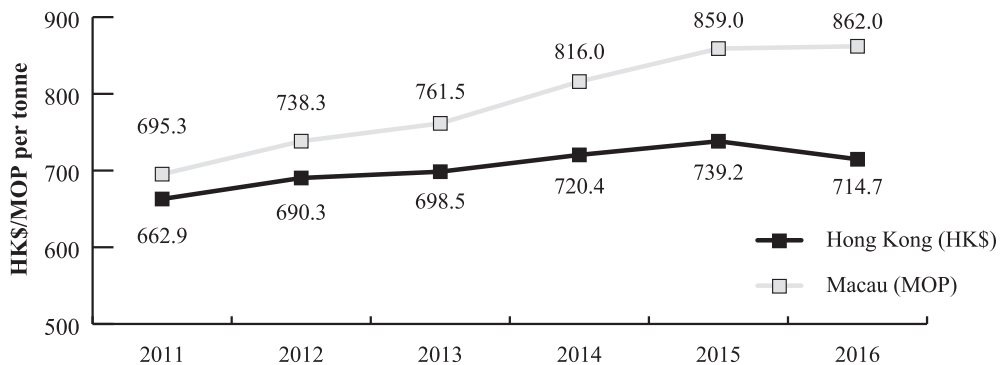
PRICE TREND OF RAW MATERIALS IN THE FOUNDATION SUBCONTRACTING INDUSTRY IN HONG KONG AND MACAU

The following charts depict the price trend of major raw materials and average wage in the foundation subcontracting industry in Hong Kong and Macau.

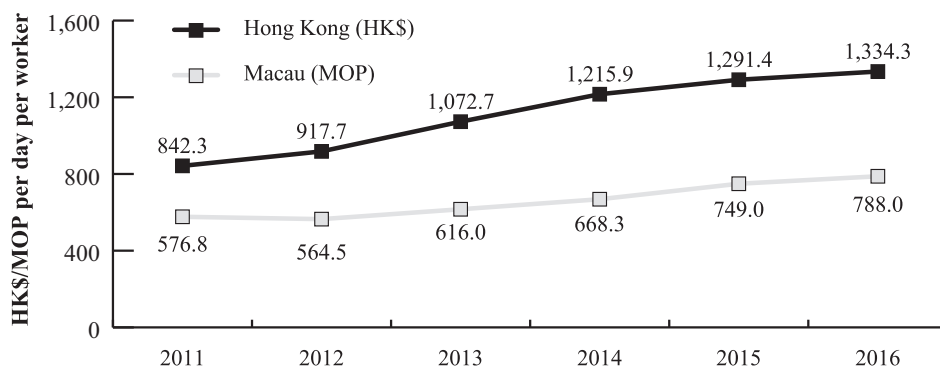
Price Trends of Steel Reinforcements in Hong Kong and Spiral & Round Reinforcing Steel Bar in Macau from 2011 to 2016



Price Trend of Portland Cement in Hong Kong and Macau from 2011 to 2016



Average Wage of Construction Workers in the Foundation Contracting Industry in Hong Kong and Macau from 2011 to 2016



Source: Ipsos Report

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN HONG KONG

Opportunities and growth drivers of the foundation industry

Government's initiative to increase the supply of residential properties

To cope with the rising demand for residential properties and stabilise the overheated properties market, the Government initiated to increase the supply of public housing units and residential land for private properties. For instance, the Government launched a 5-year plan to allocate more land for residential property development. This plan includes providing Government-owned land for the Urban Renewal Authority and MTR projects, and rezoning about 150 sites to provide approximately 210,000 public and private units. With the Government's initiative, it is expected that the demand for foundation services in Hong Kong will continue to increase, driving market growth further.

With reference to the 2015 Policy Address, the Government set a total housing supply target for the coming decade at 480,000 units and actively explore ways to increase the supply of subsidised sale flats through organisations including the HKHA, the Hong Kong Housing Society and the Urban Renewal Authority to provide more choices and opportunities of home ownership to low and middle-income families. According to 2016 Policy Address, the statutory planning procedure for 46 of these sites have been completed, which is capable of producing 41,000 flats. The Government will also redevelop old public housing units, which will provide an estimated 11,900 additional units of public rental housing and Home Ownership Scheme in the coming years. As for 2017 Policy Address, the housing supply target for the next decade starting from 2017/18 is 460,000 units, including 200,000 public rental housing units and 80,000 subsidised sale flats. These Government's plans to increase local housing supply are expected to drive the demand for foundation and site formation work in Hong Kong.

Large-scale infrastructure projects

Since the announcement of the Ten Major Infrastructure Projects in the 2007 Policy Address, the growth of the foundation industry has been supported by the commencement of these large-scale infrastructure projects such as the MTR extension projects and the development areas in Wan Chai and the New Territories. In addition, large-scale infrastructure projects such as 5 railway projects are currently at different stages of implementation and are expected to be completed between 2015 and 2021. These projects include the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Shatin to Central Link. In addition to the Ten Major Infrastructure Projects, the commencement and implementation of other large-scale infrastructure projects such as the third runway system at Hong Kong International Airport are expected to continue to drive the growth of the foundation industry in Hong Kong in the forecast period.

Entry barriers to the foundation industry

High capital requirement for foundation main contractors

In Hong Kong, foundation contractors require large amount of initial capital to purchase or rent specialised machineries and fulfill capital requirement for registration. They have to fulfill numerous minimum capital requirements to register under different Government departments. Besides, sufficient cash flow as necessary for foundation contractors in paying workers wages and subcontractor fees. Hence, the new entrants in the foundation industry may face difficulties in surviving in this industry if they do not have sufficient amount of initial capital.

Possession of specialised foundation works machinery

Specialised and advanced machineries are important to foundation contractors in Hong Kong. Foundation contractors who own specialised machineries such as crawler cranes, air compressors, hydraulic crawler drills and other equipment are able to tender and execute complex foundation projects. Moreover, by possessing their own machineries, foundation contractors could ensure better performance of their equipment and enjoy greater flexibilities in allocating their resources to meet the demand of different projects. Such ownership will also benefit the contractor by allowing them to submit highly competitive tenders to the clients, while satisfying the needs of different projects that require a substantial amount of initial capital per project. New entrants without such machinery may need to rent from machinery leasing companies, which require high cash flow and lead to less flexibility in allocating resources.

Proven practical industry experience

The lack of practical industry experience is one of the entry barriers of the foundation industry in Hong Kong. In general, customers of foundation works award tenders based on contractors' 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 insufficient project management and work experience will be difficult to win a tender. Furthermore, new entrants are required to obtain technical qualifications for executing certain foundation works projects in the public sector. Without sufficient practical experiences, new entrants may also have difficulties in obtaining technical qualifications.

Technical capability requirement

The foundation industry in Hong Kong has shown a trend of technical capability requirement in recent years. In the past few years, Hong Kong's foundation companies have earned a reputation in high-quality construction work. The adoption of specialised construction techniques has made Hong Kong a regional leader. Furthermore, the number of projects requiring sophisticated technology has been rising in the foundation industry in Hong Kong. With the growing size and complexity of the projects, foundation contractors who own advanced technical capabilities would

INDUSTRY OVERVIEW

be more competitive in Hong Kong's foundation industry. For new entrants of the foundation industry in Hong Kong, the lack of advanced technical capabilities would be one of its entry barriers.

Threats to the foundation industry

Labour shortage and ageing construction workers

The Hong Kong construction and foundation industries have been facing the problem of labour shortage and ageing workforce. According to the Construction Industry Council, about 42.9% of the 408,990 registered workers who have been in the construction industry aged over 50 in December 2016. The problem has become serious with the increasing demand of construction workers from the PRC and Macau since the commencement of large-scale construction projects in these countries. The PRC and Macau, by offering higher salaries, have successfully attracted the construction workers from Hong Kong. With the lack of sufficient construction workers, especially those with experience and skills, the probability of project delays will increase in the construction as well as foundation industry. Furthermore, to retain experienced construction workers who may be attracted by higher salaries offered in Macau, contractors in Hong Kong have started paying higher wages which has led to the increasing labour costs in construction and foundation industries.

Increasing competition in the foundation industry in Hong Kong

Competition has intensified in the foundation industry in Hong Kong since more competitors have entered the market, where certain contractors with a relatively minor scale that hope to expand the scope of their services will try to raise capital through seeking a listing opportunity on Hong Kong Stock Exchange. Successful listing will catalyze the development and expansion of these companies, in which they will become more financially capable in catering projects of various scales, thus will drive up the level of intensity in competing for tenders within the foundation industry of Hong Kong.

COMPETITIVE LANDSCAPE OF THE FOUNDATION INDUSTRY IN MACAU

Industry structure of the foundation industry in Macau

Given the industry structure of the foundation industry in Macau, the major market players in the industry in Macau are generally the large-scale foundation contractors in Hong Kong or foundation contractors in mainland China. These foundation contractors may expand to Macau to obtain more business. In general, the major market players in the industry in Macau include but not limited to, Asia Allied Infrastructure Holdings Limited, China State Construction International Holdings Limited, Paul Y. Engineering Group Limited, and Tysan Foundation Limited.

Opportunities to Macau's foundation industry

Increasing number of private residential projects and large infrastructure projects

The Macau government has been undertaking initiative to increase private residential supply. For example, the Macau government plans to develop five reclaimed zones for residential, commercial, and cultural use. In particular, the largest reclamation land in the northeast of Macau Peninsula is planned for the construction of 4,000 private residential units and 28,000 public housing units. In addition, as of the second quarter in 2015, about 88 private residential projects with about 855 units were under construction, and about 216 private residential projects with about 1,345 units were in the planning phase. The construction of residential properties in Macau will continue to drive the demand for foundation works.

The commencing and upcoming infrastructure projects will drive the demand for foundation works industry in Macau, for example, the construction of Hong Kong-Zhuhai-Macau/Macao Bridge; the construction of Tunnel do Ká Hó (九澳隧道); and the planning of Túnel da Colina de Taipa Grande (大潭山隧道) in Cotai.

Threats to the foundation industry in Macau

Limitation to the development of the building construction industry

Macau's relatively small area and small local population may limit the growth of its building construction industry. Although Macau is developing its tourism and gaming industries, the demand for commercial buildings is persistently low. Insufficient diversity in economic development may suggest that once the tourism and gaming industries in Macau contract, the demand for construction and foundation works will decrease.

Increasing labour costs

The daily wages of workers in construction works in Macau increased between 2011 and 2016, mainly owing to the rising demand for construction workers. The increasing labor costs will put pressure on project costs and reduce profit margins of contractors.

Entry barriers of the foundation industry in Macau

Relationship with customers

Contractors' reputation and established connections with property developers in Macau are to be developed over time, contractors with a well-developed portfolio in foundation industry in Macau will generally possess a higher successful rate in tendering for construction projects, as compared to new entrants with the absence of proven quality and reliability of works to meeting the project requirements.

INDUSTRY OVERVIEW

Industry reputation with proven track record

The foundation industry in Macau highly values the quality of work and the timeliness of project delivery. Therefore, foundation works contractors with industry reputation and proven track record are more likely to be awarded contracts. As a new joiner in Macau's foundation works industry, contractors lacking industry reputation and track records would have a lower chance in winning project tenders.

MAJOR MARKET PLAYERS OF THE FOUNDATION INDUSTRY IN HONG KONG

Top five contractors in the foundation industry in Hong Kong in 2016

The table below sets forth the top five players in the foundation industry in Hong Kong in 2016.

Rank	Name of company	Headquarter	Year of establishment	Listing status	Revenue in 2016 (HK\$ million)	Market Share (%)	Key types of foundation works performed
1	Company A	Hong Kong	1988	Listed	2,760.8	13.6%	ELS works, piling works, pile caps construction works, and other foundation works
2	Company B	Hong Kong	1979	Private	2,633.9	13.0%	ELS works, piling works, pile caps construction works, and other foundation works
3	Company C	Hong Kong	1919	Private	2,565.7	12.6%	ELS works, piling works, pile caps construction works, and other foundation works
4	Company D	Hong Kong	1994	Listed	1,261.7	6.2%	ELS works, piling works, pile caps construction works, and other foundation works
5	Company E	Hong Kong	2012	Listed	957.0	4.7%	Foundation works and ancillary services including site investigation and removal of installed piles
Others					<u>10,119.7</u>	<u>49.9%</u>	
Total					<u><u>20,298.9</u></u>	<u><u>100.0%</u></u>	

Source: Ipsos Research and Analysis

The foundation subcontracting industry in Hong Kong has increased from 313 subcontractors in 2015 to about 323 foundation subcontractors in 2016. The foundation industry in Hong Kong is fairly consolidated with the top five players because they accounted for 50.1% of the industry revenue. Our Group recorded revenue of approximately HK\$116,563,000 for the year ended 31 March 2017, accounted for approximately 0.6% of the industry in Hong Kong.

Please refer to the section headed “Business — Market and competition” for information on our Group's competitive landscape and the section headed “Business — Our competitive strengths” for a detailed discussion of our Group's competitive strengths.

REGULATORY OVERVIEW

This section summarises the relevant laws and regulations which are relevant to our business in Hong Kong and Macau. As this is a summary, it does not contain detailed analysis of the Hong Kong or Macau laws which are relevant to our business.

HONG KONG LAWS

A. Laws and Regulations in relation to labour, health and safety

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

A main contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a main contractor, or a main contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a main contractor and superior subcontractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main 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 main contractor.

Upon receipt of such notice from the relevant employee, a main 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 main contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

Pursuant to section 43F of the Employment Ordinance, if a main contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior subcontractor, as the case may be. The main contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the main 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.

REGULATORY OVERVIEW

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

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

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

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

According to section 24 of the Employees' Compensation Ordinance, a main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The main contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee independently of this section. The employees in question are required to serve a notice in writing on the main contractor before making any claim or application against such main contractor.

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with section 40(1) of the Employees' Compensation Ordinance.

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

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Please refer to the section headed “Business — Insurance” in this prospectus for our insurance coverage in this regard. Please also refer to the section headed “Business — Legal proceedings and legal compliance — Legal proceedings” in this prospectus for information regarding employees’ compensation claims and common law personal injury claims made against our Group during the Track Record Period and up to the Latest Practicable Date.

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

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

Under the Construction Workers Registration Ordinance, a subcontractor, in relation to a principal contractor, is defined as any person who enters into a contract with another person (whether or not the principal contractor) to undertake all or any part of the construction work that the principal contractor has undertaken). Our Group is considered as a subcontractor in our projects and is required to employ only registered construction workers to personally carry out construction works for our projects. Any person who employs a person who is not a registered construction worker to personally carry out construction work on a construction site shall be guilty of an offence and shall be liable on conviction to a maximum fine of HK\$50,000.

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

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

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construction sites are required to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out construction works on construction sites relating to those trade divisions independently.

For the construction of bored piles, relevant designated skills include Plant and Equipment Operator (Bored Pile) and Piling Operative (Bored Pile). As at the Latest Practicable Date, all of our site staff carrying out construction works on our construction sites were registered as registered construction workers of the required designated skills under the Construction Workers Registration Ordinance.

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

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Subject to Legislative Council approval, the revised minimum wage at HK\$34.5 per hour will come into force in May 2017. 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.

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

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

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

The industry schemes (“**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:

- (i) foundation and associated works;
- (ii) civil engineering and associated works;
- (iii) demolition and structural alteration works;
- (iv) refurbishment and maintenance works;
- (v) general building construction works;
- (vi) fire services, mechanical, electrical and associated works;
- (vii) gas, plumbing, drainage and associated works; and
- (viii) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these 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

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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.

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

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

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

Other matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment for up to 12 months.

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.

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

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

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- (a) provision and maintenance of plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) as regards any workplace under the employer's control:
 - (i) maintenance of the workplace in a condition that is safe and without risks to health; and
 - (ii) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- (d) providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- (e) provision and maintenance of a working environment that is safe and without risks to health.

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

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The Commission for Labour may also issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

The proposed security of payment legislation for the construction industry

The Development Bureau launched a 3-month public consultation on 1 June 2015 for the proposed security of payment legislation for the construction industry that aims to improve payment terms and payment delays, encourage rapid dispute resolution and increase cash flow of operators in the construction industry. The framework of the legislation is yet to be finalised and the Development Bureau would need to prepare the bill for submission to the Legislative Council of Hong Kong.

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

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

All parties undertaking construction activities or provide related services, materials and plant shall be entitled to claim progress payments (which shall include single, interim and final progress payments). Payment of an amount due must be made not more than 60 calendar days after an interim progress payment claim is made or not more than 120 calendar days for a final progress payment claim.

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

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

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

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

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

Our Directors are of the view that the proposed security of payment legislation will (i) reduce 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) improve the performance by our Group by minimising the risk of non-payment or disputes throughout our supply chain.

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B. Laws and regulations in relation to environmental protection

For information regarding the environmental management system of our Group, please refer to the section headed “Business — Environmental protection” in this prospectus.

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

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

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

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

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

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

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

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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 managing air quality, including controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered 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, site formation, piling and extraction from the earth of any matter whatsoever. 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 m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of 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.

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

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

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

Under section 5 of the NRMM Regulation, any person who uses causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the 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.

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

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

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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, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection Department.

All discharges, other than domestic sewage to a communal sewer or drain or unpolluted water to a communal sewer or drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent shall not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK\$200,000; and (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.

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

The nature of our business operations creates significant solid waste, and as a construction waste producer we are subject to the Waste Disposal Ordinance. Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless (i) the total area of the lot on which the construction waste has been deposited does not exceed 20 m²; or (ii) the sole or all of the owners of the private lot has given valid permission for the depositing of construction waste on the lot. Such permission must be in the specified form under section 16C and must bear an acknowledgement by the Director of the Environmental Protection Department. Such acknowledgement must be submitted to the Environmental Protection Department at least 21 days before the intended date on which the depositing activity is to commence.

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

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

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

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

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

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

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

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

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

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

C. Laws and regulations in relation to contractor registration

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

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

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

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

REGULATORY OVERVIEW

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

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

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

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

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

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance, hereinafter referred to as the authorised signatory (the “**Authorised Signatory**”);
- (b) for a corporation, a minimum of one director from the board of directors of the applicant, hereinafter referred to as a “Technical Director” who is authorised by the board to:
 - (i) have access to plant and resources;
 - (ii) provide technical and financial support for the execution of building works and street works; and
 - (iii) make decisions for the company and supervise the Authorised Signatory and other personnel;

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

REGULATORY OVERVIEW

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

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

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

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

Private sector construction projects

Private sector foundation projects cover projects engaged by individuals, privately owned property development companies or commercial enterprises. In order to undertake foundation and site formation works in private sector, a contractor must be registered with the Buildings Department as a general building contractor or a registered specialist contractor under the categories of foundation works and site formation works, depending on the specification of the foundation works and site formation works as determined by the Building Authority from time to time. As long as a contractor to the project holds all the required registrations in a private project, other subcontractors to the same project are not required to hold the same registrations as that of the registered contractor. The registration requirements mentioned above are the basic requirements for undertaking private sector foundation and site formation construction projects. Other additional requirements may be imposed by the developers, main contractors, or other entities, as the case may be.

Public sector construction projects

For public sector projects, contractors responsible for the land piling works are required to be listed under the Works Branch of the Development Bureau, and with the Buildings Department as registered specialist contractors in foundation works category. For site formation works, the responsible contractor is required to be an approved contractor for public works under the Development Bureau only. However, as long as a contractor to the project holds all the required registrations in public project, other subcontractors are not required to hold the same registrations as that of the registered contractor in such public project.

REGULATORY OVERVIEW

Subcontractor Registration Scheme

As at the Latest Practicable Date, Triangular Force and TMP Machinery were registered under the Subcontractor Registration Scheme of the Construction Industry Council.

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme was formerly known as the Voluntary Subcontractor Registration Scheme (the “**VSRS**”), which was introduced by the Provisional Construction Industry Co-ordination Board (the “**PCICB**”). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

A technical circular issued by the Works Branch of the Development Bureau (then the Environment, Transport and Works Bureau) (“**WBDB**”) on 14 June 2004 (now subsumed into the Project Administration Handbook for Civil Engineering Works by the Civil Engineering and Development Department) requires that all public works 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.

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed Subcontractor Registration Scheme. All subcontractors registered under the VSRS have automatically become registered subcontractors under the Subcontractor Registration Scheme.

For further information, please refer to the section headed “Business — Licenses, permits and registration — 2. Subcontractor Registration Scheme” in this prospectus.

Categories of registration under the Subcontractor Registration Scheme

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of the 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including bored pile, and others.

Where a contractor is to sub-contract/sublet 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, it shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the Subcontractor Registration Scheme. Should the subcontractors further subcontract

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(irrespective of any tier) any part of the public works subcontracted 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.

Requirements for registration under 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 bureaux 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 Subcontractors (or equivalent) conducted by the Construction Industry Council; or
- (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.

Validity period of registration and renewal of registration

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application 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 management committee which oversees the Subcontractor Registration Scheme (the “**Management Committee**”). If some of the entry requirements covered in an application can no longer be satisfied, the Management 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 two years from the expiry of the current registration.

REGULATORY OVERVIEW

Codes of Conduct

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “**Codes of Conduct**”). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee.

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

- (a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
- (b) failure to give timely notification of changes to the registration particulars;
- (c) serious violations of the registration rules and procedures;
- (d) 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);
- (e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
- (f) wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;
- (g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
- (h) 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;
- (i) 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;

REGULATORY OVERVIEW

- (j) convictions for employment of illegal worker under the Immigration Ordinance; or
- (k) 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.

Regulatory actions

The Management Committee 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.

Please also refer to the sections headed “Business — Licenses, permits and registration — 1. Registered specialist contractor (under the sub-register of foundations works and site formation works categories)” and “Business — Licenses, permits and registration — 2. Subcontractor Registration Scheme” of this prospectus for further details.

D. Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

Effective since 14 December 2015, the Competition Ordinance prohibits conduct that prevents, restricts or distorts competition in Hong Kong and provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among others, the First Conduct Rule to prohibit anti-competitive conduct involving more than one party.

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conducts include (i) fixing, maintaining, increasing or controlling the price of the supply of goods or services; (ii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iii) bid-rigging practices.

Penalties that the Competition Tribunal may impose for contraventions of the competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a single contravention can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the

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disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

MACAU LAWS

A. Laws and regulations in relation to construction and foundation works and safety

The construction and foundation works and safety regime in Macau is mostly based on the General Construction Works Regulation, the Foundation Works Regulation, and the Safety and Actions in Building Structures and Bridges Regulation.

1. *General Construction Works Regulation*

The General Construction Works Regulation (Decree Law No. 79/85/M, dated 21 August 1985, as amended by Administrative Regulation no. 24/2009, dated 3 August 2009) establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are considered "construction works" and are subject to prior approval of the works' project and issuance of the work licence by the Land, Public Works and Transport Bureau ("DSSOPT"). Pursuant to the said regulation, a constructor, individual or corporate, must register with the DSSOPT, in order to carry out construction works in relation to approved works' projects in Macau.

Moreover, the direction of any construction works carried out in Macau must be done by a technician also duly registered with DSSOPT under the Law No. 1/2015 dated 5 January 2015.

In accordance with the abovementioned laws and regulations and the accepted standard practice of DSSOPT, if the main contractor, the first trade contractor or the constructor, whether individual or corporate, responsible for the works has obtained the work license for the project, other subcontractors and trade contractors involved in any part of such project's works are not required to obtain any work license or register with DSSOPT. By the same token, our Group, in a foundation project where the main contractor has been registered with DSSOPT and as a foundation works subcontractor, does not need to possess any permits and licenses for our operations in Macau except for business registration.

Our Directors confirm that, in respect of works performed in Macau during and subsequent to the Track Record Period, work licenses have been obtained, either by the respective project owner, or by the main contractor or first trade contractor, as applicable.

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Please also refer to the section headed “Business — Licenses, permits and registration — 3. Registered contractor with the Land, Public Works and Transport Bureau of Macau” for details.

a. *Constructor Registration procedure*

The procedure for the registration of a constructor with the DSSOPT, provided for in Articles 8 ff. of the General Construction Works Regulation, is as follows:

- (a) A written request for the registration of a constructor must be submitted to the Director of the DSSOPT, accompanied by a list of employed staff, of the technical means at the constructor’s disposal, a list of the construction works previously carried out, and also a declaration made by a technician of the constructor registered with the DSSOPT. The qualifications of the constructor shall be assessed based on the documents submitted to the DSSOPT.
- (b) In case the registration request is accepted, a registration fee, currently in the amount of MOP6,600, must be paid within 10 days of the date of the notification of acceptance of the registration.

The registration as a constructor with the DSSOPT is valid until the end of the calendar year in which it is requested, and its renewal must be requested during the month of January of each subsequent calendar year being then valid for a period of one year (1 January to 31 December). Failure to comply with the deadline for renewal will result in the expiration of the registration as constructor with the DSSOPT.

The process of renewal of a registration with the DSSOPT normally takes around 15 working days counted from the submission by the applicant of all the required documents for that purpose, which are the same as those submitted upon registration as a constructor, except for list of technical means of the constructor and list of employed staff.

The DSSOPT will maintain an updated individual file of every registered entity which will include (a) the individual’s full name and respective domicile or, if a corporate entity, its business name and articles of association and or registered address; (b) the documentation revealing professional qualifications and expertise; (c) specimen signatures containing the full and abbreviated names adopted, which, in the case of corporate entities, will be those of the directors who have legal capacity to bind the company; and (d) the indication of occurrences relating to projects directed by technicians, or occurrences relating to works carried out by construction companies.

The change of domicile or registered address of an entity registered with the DSSOPT must be communicated to DSSOPT within 8 days counting from said change.

b. *Constructor's requirement*

There are no specific requirements for a company to be registered as a constructor with the DSSOPT. The qualifications of the applicant company shall be assessed based on the documents submitted to the DSSOPT, namely the list of the technical means at the constructor's disposal, as well as the list of the construction works previously carried out.

c. *Employee's requirement*

For each project, the constructor should have a technician responsible for the works, who must also be registered as such with the DSSOPT. The qualifications of the applicant technician shall be assessed based on the documents submitted to the DSSOPT at the time of registration, which include a professional certificate and a declaration under oath regarding the observation and fulfilment of regulatory and technical provisions applicable to technicians responsible for the works.

The technician in charge of a project may renounce to its direction at any time, as long as he/she communicates that fact in writing to the DSSOPT. However, such technician will be responsible and liable for the works carried out until the date of the resignation.

d. *Job experience of constructor*

There are no specific requirements for the job experience of a constructor.

2. *Foundation Works Regulation and Safety and Actions in Building Structures and Bridges Regulation*

The Foundation Works Regulation (Decree Law No. 47/96/M, dated 26 August 1996) applies to the geotechnical aspects of foundation projects of buildings and other structures, taking into account requirements of strength, stability, functionality and durability of geotechnical structures. The Foundation Works Regulation should be interpreted in conjunction with the Safety and Actions in Building Structures and Bridges Regulation (Decree Law No. 56/96/M, dated 16 September 1996), which establishes the general criteria for safety and the methodologies used for its verification.

Under the Foundation Works Regulation, the following basic rules are of particular importance:

- (a) the necessary data for the implementation of the project must be collected, recorded and interpreted appropriately;
- (b) the foundation works must be designed by professionals with appropriate qualifications and experience;

REGULATORY OVERVIEW

- (c) there must be continuity and adequate communication between those involved in the data collection, the project and the construction;
- (d) there must be suitable supervision and quality control in factories, shipyards and construction sites;
- (e) the construction must be performed in accordance with the relevant specifications, and by personnel with appropriate knowledge and experience;
- (f) construction materials must be used as recommended in the Regulation or other normative documents and relevant specifications;
- (g) the work must be adequately maintained; and
- (h) the work must be used for the purpose defined in the project.

B. Laws and regulations in relation to environmental protection

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law No. 2/91/M, dated 11 March 1991 (the “**Macau Environmental Law**”), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters in the Environment Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

Concerning noise pollution in particular, Law No. 8/2014 establishes rules on prevention and control of noise pollution and sets noise limits. Pursuant to this law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7:00 p.m. and 9:00 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 m from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8:00 p.m. and 8:00 a.m. on weekdays.

Regarding water and marine pollution, in particular, Decree Law No. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety firefighting water installations, whereas Decree Law No. 35/97/M provides for the protection of the marine

environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

C. Laws and regulations in relation to labour, health and safety

The Macau Labour Relations Law (Law No. 7/2008, dated 18 August 2008 as amended by Law No. 2/2015 dated 20 April 2015) establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Labour Affairs Bureau, in general, and the DSSOPT with respect to construction sites, in particular.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained by the employer. The employment of such workers is subject to strict regulations included in Law No. 21/2009, which set forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits to the duration of employment contracts with non-residents employees.

Non-compliance with the rules included in Law No. 21/2009 may constitute administrative offences, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and/or criminal offences related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorisations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

The legal regime of labour matters in Macau is developed based on Law No. 4/98/M dated 29 July 1998 (Framework Law on Employment Policy and Labour Rights) which prescribes general principles and directions of labour legislations in different aspects.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, (Decree Law No. 37/89/M, dated 22 May 1989) in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the

REGULATORY OVERVIEW

application of fines to the employer, according to the provisions set out by Decree Law No. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Moreover, employees must comply with the rules provided under Decree Law No. 44/91/M (General Regulation of Working Safety and Hygiene in the Construction Industry) and Decree Law No. 34/93/M (Legal Regime of Noise at Work), in order to provide a safe, healthy, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law No. 67/92/M and Decree Law No. 48/94/M.

Pursuant to Decree Law No. 40/95/M (Legal Regime of Compensation of Damages caused by Work-Related Accidents and Occupational Diseases), employees must transfer liability for work-related injuries and occupational diseases to an insurance company authorised to operate in Macau and provide employees' compensation insurance for all employees, whether resident or non-resident. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

Under the Social Security Law (Law No. 4/2010 dated 23 August 2010) both employee and employer are required to make mandatory contributions to the Social Security Fund. Contributions are to be paid quarterly by the employer. The levy is shared unequally between employer and employee. The employer shall pay MOP30.00 monthly per employee at its service and the employee shall pay MOP15.00 per month which is to be deducted from the employee's monthly income. Failure to comply with any of the provisions of this law constitutes an administrative offence that renders the employer liable for fines.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has not employed any workers in Macau, whether resident or non-resident. For our bored piling project in Macau, the staff responsible for the execution of the works were indicated by our Group to our customer and the staff entered into an employment agreement with our customer. Work permits were applied for the abovementioned staff who are non-residents of Macau by the customer, which also pays their wages and social security contributions in Macau and effects necessary employees' compensation insurance. As at the Latest Practicable Date, one project management staff is applying for work permit in Macau. Our Macau legal advisors are of the view that the above staffing arrangement corresponds with the standard construction industry practice in Macau and does not pose legal issues for our Group under Macau laws and regulations. Our Group does not require the registration as a constructor with the DSSOPT nor a technician registered with the DSSOPT to carry out the bored piling project in Macau as a sub-subcontractor under the valid constructor license and DSSOPT registration of the project's main contractor or subcontractor and under a work license for the project as applied by the project's main contractor, the first trade contractor or the owner of the project.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR CORPORATE HISTORY

Overview

The history of our Group can be traced back to January 2008 when Mr. Tang and Mr. Chui (our executive Directors and Controlling Shareholders) established Triangular Force which is primarily specialised in bored piling works as well as other foundation works in Hong Kong. Mr. Tang and Mr. Chui have been working in the construction and foundation work industry for approximately 20 years and 26 years, respectively, and accumulated extensive hands-on experience in the construction and foundation work industry and developed their network with various suppliers of foundation machinery and subcontractors of different specialty in foundation works in Hong Kong. For details relating to the qualification and experience of Mr. Tang and Mr. Chui, please refer to the section headed “Directors and Senior Management” of this prospectus.

The major business of Triangular Force is in bored pile construction works. Triangular Force has been registered as a subcontractor in the category of bored pile foundation with the Construction Industry Council since November 2011. Further, in February 2017 and April 2017, Triangular Force was registered as a Registered Specialist Contractor in the categories of foundation and site formation works, respectively, with the Buildings Department and our Group has since been capable of carrying out private sector foundation works and site formation works, respectively, as a main contractor in Hong Kong. In addition to bored piling works, Triangular Force also provided specialised foundation works like the removal of pre-existing foundation or obstructing piles. With a view to further expand our operation, Mr. Tang and Mr. Chui established TMP Machinery, another operating subsidiary of our Company in July 2010, for the provision of management service for construction work for our Group and Longson Enterprise in August 2014 for the management of our Group’s machinery as we begin to invest and reinforce our machinery fleet. In March 2017, our Group established Ho Kit Construction to open up the market in Macau.

The following are the major developments and milestones of our Group to date:

<u>Year</u>	<u>Event</u>
January 2008	Incorporation of Triangular Force
June 2008	The first commercial building project involving bored piling works was subcontracted to our Group, with a contract sum of approximately HK\$3.5 million
July 2010	Incorporation of TMP Machinery
November 2011	Triangular Force was registered with the Subcontractor Registration Scheme of the Construction Industry Council
October 2013	Awarded the Best Safety Subcontractor by one of our customers for a project involving the removal of existing concrete piles

HISTORY, REORGANISATION AND GROUP STRUCTURE

<u>Year</u>	<u>Event</u>
July 2014	A sizable project involving bored piling construction works of 20 bored piles to a depth of approximately 80 m was subcontracted to our Group, with an initial contract sum of approximately HK\$21.7 million
August 2014	Incorporation of Longson Enterprise
December 2014	Awarded the Best Subcontractor by one of our customers for a project involving the removal of existing concrete piles
January 2015	A sizable bored piling works construction project involving the insertion of large diameter bored piles in a narrow site was subcontracted to our Group, with an initial contract sum of approximately HK\$23.1 million
July 2015	A sizable bored piling works construction project involving insertion of bored pile to a depth of approximately 100 m was subcontracted to our Group, with an initial contract sum of approximately HK\$28.4 million
January 2016	A project involving removal of obstructed piles in an area with many existing underground services utilities was subcontracted to our Group, with an initial contract sum of approximately HK\$27.5 million
April 2016	Accredited the ISO 9001:2008 certification of quality management system
November 2016	Accredited the OHSAS 18001:2007 certification of OHS management system
January 2017	Incorporation of our Company
February 2017	Triangular Force was registered as a Registered Specialist Contractor with the Buildings Department in the category of foundation works
March 2017	Incorporation of Ho Kit Construction
April 2017	Triangular Force was registered as a Registered Specialist Contractor with the Buildings Department in the category of site formation works

HISTORY, REORGANISATION AND GROUP STRUCTURE

Details of the members of our Group and their respective corporate history are set out below:

OUR COMPANY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 3 January 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One subscriber Share was allotted and issued nil-paid to the initial subscriber, an independent third party on the date of incorporation. On the same day, such subscriber Share was transferred to C3J Development and our Company further allotted and issued 4,999 nil paid Shares and 5,000 nil paid Shares to C3J Development and Hunter Corporate, respectively. Immediately after the aforesaid transfer and allotment of Shares, the entire issued share capital of our Company was owned as to 50% each by C3J Development and Hunter Corporate.

For details of changes in the share capital of our Company, please refer to the paragraph headed “2. Changes in share capital of our Company” in Appendix IV to this prospectus.

Our Company has a number of direct and indirect subsidiaries incorporated in the BVI, Hong Kong and Macau. Details of the subsidiaries of our Company and their respective corporate history are set out below.

OUR SUBSIDIARIES

Everest Enterprise

Everest Enterprise, an intermediate holding company of our Group, was incorporated on 24 January 2017 with limited liability in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. 100 fully paid shares were allotted and issued at par value to our Company on the same date. After the aforesaid allotment and issue of shares, the entire issued share capital of Everest Enterprise was owned by our Company.

On 27 January 2017, Everest Enterprise acquired the entire issued share capital of Longson Enterprise, TMP Machinery and Triangular Force from Mr. Tang and Mr. Chui, further details of which are set out below.

Everest Enterprise is an investment holding company and has not commenced any business activities as at the Latest Practicable Date.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Longson Enterprise

Longson Enterprise was incorporated on 11 August 2014 with limited liability in Hong Kong with a paid share capital of HK\$2,000. On its incorporation, Longson Enterprise allotted and issued 1,000 shares to each of Mr. Tam Tsz Chung (the nephew of Mr. Tang) and Mr. Chui Koon Loi (the brother of Mr. Chui), respectively. Mr. Tam Tsz Chung and Mr. Chui Koon Loi held the said shares on trust for Mr. Tang and Mr. Chiu, respectively. On 9 April 2015, as instructed by Mr. Tang and Mr. Chui, respectively, Mr. Tam Tsz Chung and Mr. Chui Koon Loi each transferred his 1,000 shares of Longson Enterprise back to Mr. Tang and Mr. Chui, respectively. Longson Enterprise has been beneficially owned as to 50% each by Mr. Tang and Mr. Chui, respectively since its incorporation.

Pursuant to the sale and purchase agreement dated 27 January 2017 entered into among Mr. Tang and Mr. Chui (as vendors), Everest Enterprise (as purchaser) and our Company, Everest Enterprise acquired in aggregate 2,000 shares of Longson Enterprise, representing the entire issued share capital of Longson Enterprise, from Mr. Tang and Mr. Chui. In consideration thereof, our Company issued and allotted 1,000 Shares each to C3J Development and Hunter Corporate as directed by Mr. Tang and Mr. Chui, respectively. Immediately after the above acquisition of shares, Longson Enterprise became a wholly-owned subsidiary of Everest Enterprise.

Longson Enterprise is mainly engaged in managing our Group's machinery.

TMP Machinery

TMP Machinery was incorporated on 27 July 2010 with limited liability in Hong Kong with an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of its incorporation, TMP Machinery allotted and issued 5,000 shares at par value to each of Mr. Tang and Mr. Chui. TMP Machinery was beneficially owned as to 50% each by Mr. Tang and Mr. Chui, respectively.

Pursuant to the sale and purchase agreement dated 27 January 2017 entered into among Mr. Tang and Mr. Chui (as vendors), Everest Enterprise (as purchaser) and our Company, Everest Enterprise acquired in aggregate 10,000 shares of TMP Machinery, representing the entire issued Shares of TMP Machinery, from Mr. Tang and Mr. Chui. In consideration thereof, our Company issued and allotted 1,000 Shares each to C3J Development and Hunter Corporate as directed by Mr. Tang and Mr. Chui, respectively. Immediately after the above acquisition of shares, TMP Machinery became a wholly-owned subsidiary of Everest Enterprise.

TMP Machinery is mainly engaged in provision of management service for construction work for our Group.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Triangular Force

Triangular Force was incorporated on 10 January 2008 with limited liability in Hong Kong with an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of its incorporation, Triangular Force allotted and issued 5,000 shares at par value to each of Mr. Tang and Mr. Chui, respectively. Triangular Force was beneficially owned as to 50% each by Mr. Tang and Mr. Chui, respectively.

Pursuant to the sale and purchase agreement dated 27 January 2017 entered into among Mr. Tang and Mr. Chui (as vendors), Everest Enterprise (as purchaser) and our Company, Everest Enterprise acquired in aggregate 10,000 shares of Triangular Force, representing the entire issued share capital of Triangular Force, from Mr. Tang and Mr. Chui. In consideration thereof, our Company issued and allotted 1,000 Shares each to C3J Development and Hunter Corporate as directed by Mr. Tang and Mr. Chui, respectively. Immediately after the above acquisition of shares, Triangular Force became a wholly-owned subsidiary of Everest Enterprise.

Triangular Force is mainly engaged in bored piling works and other foundation works.

Ho Kit Construction

Ho Kit Construction was incorporated on 23 March 2017 with limited liability in Macau with a share capital of MOP25,000 divided into one fully paid share and has been wholly-owned by Triangular Force since its incorporation.

Ho Kit Construction is mainly engaged in the provision of bored piling works and foundation works in Macau.

REORGANISATION

Our Company underwent the Reorganisation prior to the Share Offer to rationalise our Group structure in preparation for the Share Offer pursuant to which our Company became the holding company of our Group. The major steps of our Reorganisation are summarised as follows:

(i) Incorporation of C3J Development

C3J Development was incorporated on 7 December 2016 with limited liability in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. 100 fully paid up ordinary shares, representing the entire issued share capital of C3J Development, were issued and allotted to Mr. Tang on 7 December 2016. After the aforesaid allotment and issue of shares, the entire issued share capital of C3J Development was owned by Mr. Tang.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(ii) Incorporation of Hunter Corporate

Hunter Corporate was incorporated on 9 December 2016 with limited liability in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. 100 fully paid up ordinary shares, representing the entire issued share capital of Hunter Corporate, were issued and allotted to Mr. Chui on 9 December 2016. After the aforesaid allotment and issue of shares, the entire issued share capital of Hunter Corporate was owned by Mr. Chui.

(iii) Incorporation of our Company

Our Company was incorporated on 3 January 2017 with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. As at the date of incorporation, one nil-paid Share was allotted and issued to the initial subscriber of our Company, which was later transferred to and paid up by C3J Development at par value. Our Company further allotted and issued 4,999 nil-paid Shares and 5,000 nil-paid Shares to C3J Development and Hunter Corporate, respectively on the same day. After the aforesaid transfer and allotment of Shares, the entire issued share capital of our Company was owned as to 50% each by C3J Development and Hunter Corporate respectively.

(iv) Incorporation of Everest Enterprise

Everest Enterprise, an intermediate holding company of our Group, was incorporated on 24 January 2017 with limited liability in the BVI with an authorised share capital of 50,000 shares with a par value of US\$1.00 each. 100 fully paid shares were allotted and issued to our Company at par value on the same date. After the aforesaid allotment and issue of shares, the entire issued share capital of Everest Enterprise was owned by our Company.

(v) Acquisition of the operating subsidiaries

On 27 January 2017, Everest Enterprise acquired in aggregate 2,000 shares of Longson Enterprise, representing its entire issued share capital from Mr. Tang and Mr. Chui. In consideration thereof, our Company issued and allotted 1,000 Shares to each of C3J Development and Hunter Corporate as directed by Mr. Tang and Mr. Chui, respectively. After the aforesaid share transfer, Longson Enterprise became a wholly-owned subsidiary of Everest Enterprise.

On 27 January 2017, Everest Enterprise acquired in aggregate 10,000 shares of TMP Machinery, representing its entire issued share capital from Mr. Tang and Mr. Chui. In consideration thereof, our Company issued and allotted 1,000 Shares to each of C3J Development and Hunter Corporate as directed by Mr. Tang and Mr. Chui respectively. After the aforesaid share transfer, TMP Machinery became a wholly-owned subsidiary of Everest Enterprise.

On 27 January 2017, Everest Enterprise acquired in aggregate 10,000 shares of Triangular Force, representing its entire issued share capital from Mr. Tang and Mr. Chui. In consideration thereof, our Company issued and allotted 1,000 Shares to each of C3J

HISTORY, REORGANISATION AND GROUP STRUCTURE

Development and Hunter Corporate as directed by Mr. Tang and Mr. Chui respectively. After the aforesaid share transfer, Triangular Force became a wholly-owned subsidiary of Everest Enterprise.

(vi) Incorporation of Ho Kit Construction

Ho Kit Construction was incorporated on 23 March 2017 with limited liability in Macau with a share capital of MOP25,000.

As a result of the Reorganisation, our Company became the holding company of our Group comprising Everest Enterprise, Longson Enterprise, TMP Machinery, Triangular Force and Ho Kit Construction.

(vii) Capitalisation Issue and Share Offer after completion of the Reorganisation

On 22 September 2017, our Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each in order to be positioned to (i) allot and issue 150,000,000 new Shares to the Share Offer; and (ii) allot and issue a further 449,984,000 new Shares to the existing shareholders of our Company, namely C3J Development and Hunter Corporate.

Our Company will offer 150,000,000 Offer Shares under the Share Offer, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

Lock-up undertakings

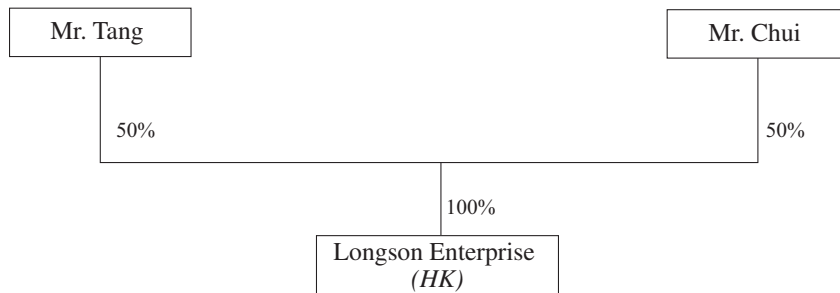
Each of our Controlling Shareholders, namely Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate, has undertaken to our Company and/or the Stock Exchange that, he/it will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is given to our Company and the Stock Exchange as required under Rule 13.16A of the GEM Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of the independent Shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder. Please refer to the sections headed “Relationship with Controlling Shareholders — Lock-up undertakings by our Controlling Shareholders” and “Underwriting — Voluntary lock-up undertakings by our Controlling Shareholders” in this prospectus for further details.

HISTORY, REORGANISATION AND GROUP STRUCTURE

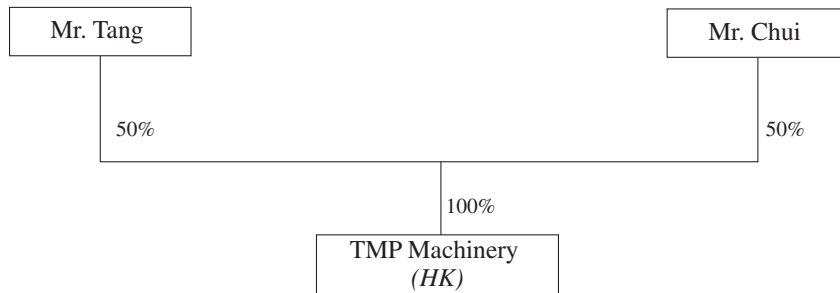
OUR GROUP STRUCTURE

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

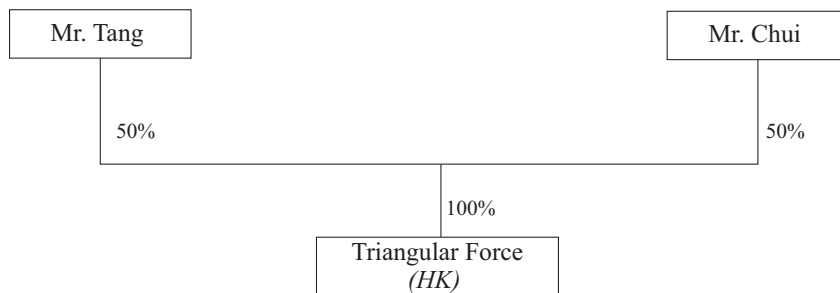
Longson Enterprise



TMP Machinery

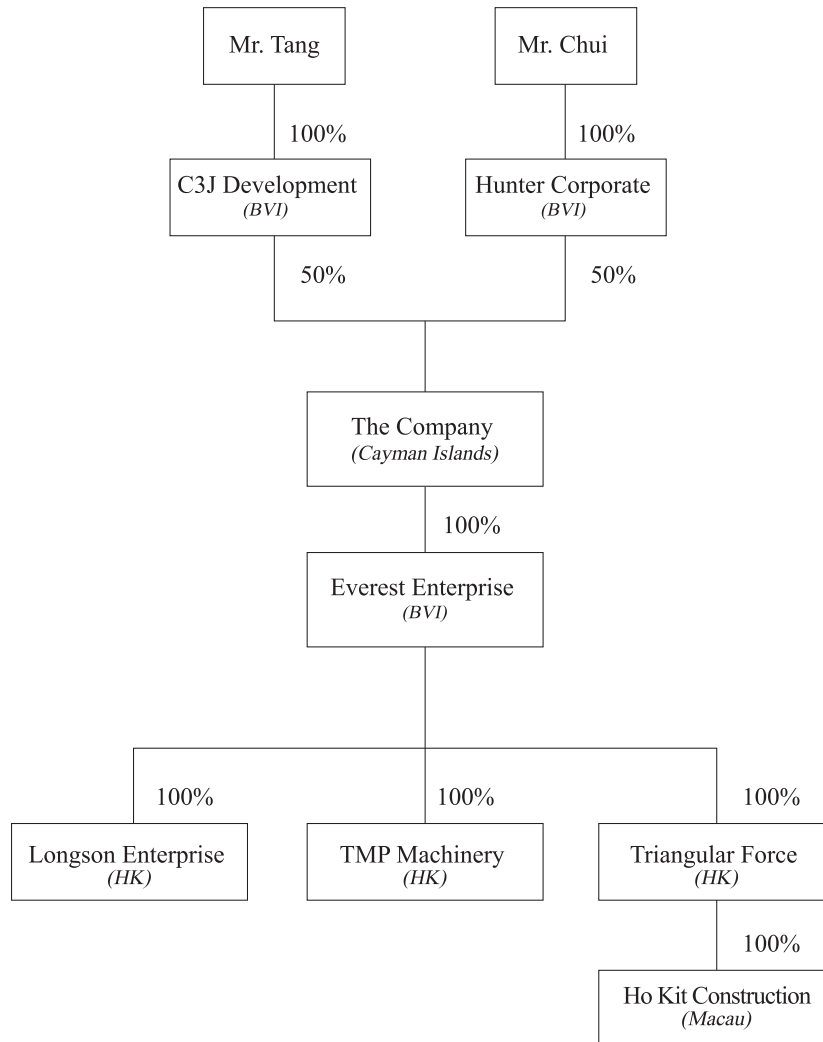


Triangular Force



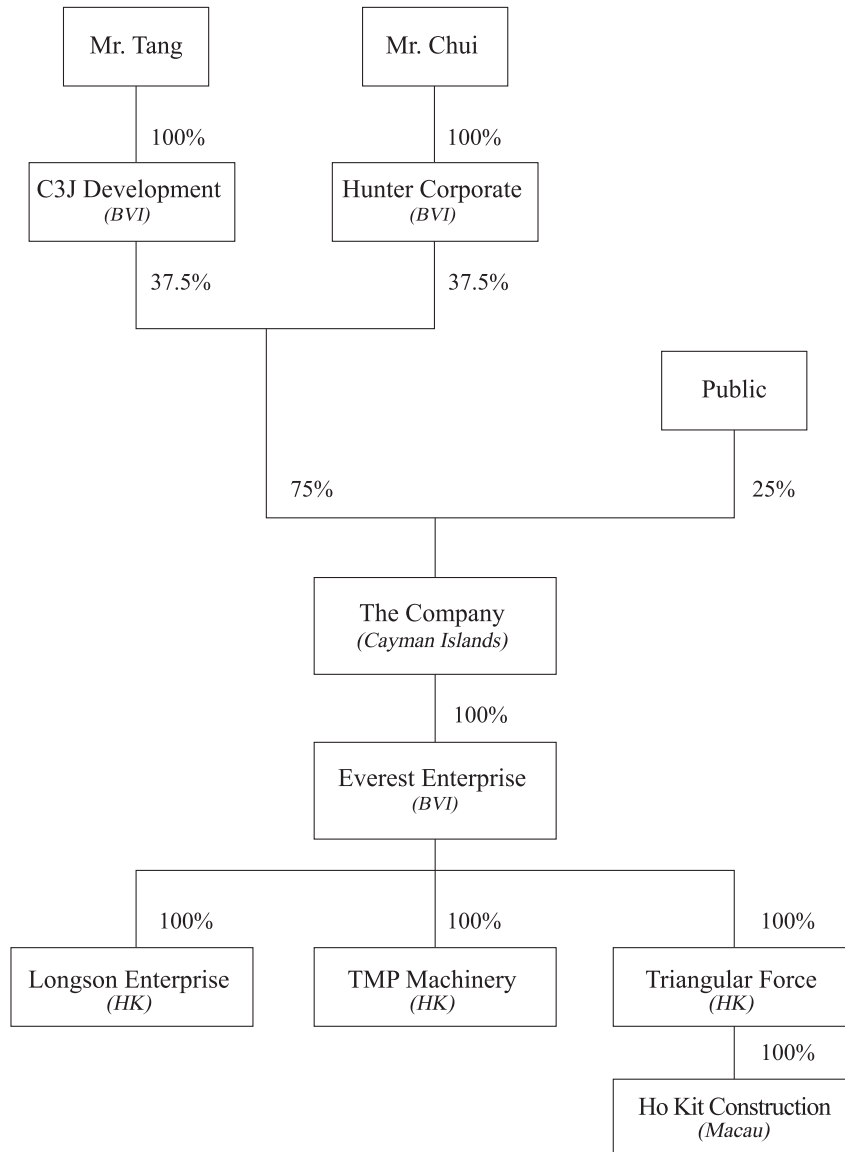
HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram sets forth our corporate and shareholding structure immediately following completion of the Reorganisation.



HISTORY, REORGANISATION AND GROUP STRUCTURE

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



BUSINESS OVERVIEW

Founded in 2008, our Group is a foundation contractor primarily specialising in subcontracted bored piling works as well as other foundation works. We are capable of installing bored piles with diameters ranging from 1.5 m to 3 m of various pile lengths. We have invested considerably in reinforcing our machinery and we possess all standard plant and machinery and equipment necessary for the construction of bored piles.

We proud ourselves as a specialist in bored pile construction during the Track Record Period. We have established business connection with various construction and foundation contractors and undertaken projects in both the private and public sectors. We focus only on “build-only” projects which we perform our works according to the specifications provided to us without involving ourselves in any foundation design. We completed 26 bored piling projects during the Track Record Period and up to the Latest Practicable Date, 10 of which were in the public sector while the remaining 16 projects were in the private sector. In addition to bored piling works, to the extent our machinery and equipment allow, we offer specialised foundation works, mainly the removal of pre-existing foundation or obstructing piles for urban renewal or railway projects. During the Track Record Period, we were engaged in 4 projects of foundation removal works, all of them were under separate contracts unassociated with our bored piling contracts. As at the Latest Practicable Date, we have 7 construction contracts on hand with outstanding contract sum of approximately HK\$39,391,000, out of which approximately HK\$35,264,000 and HK\$4,127,000 are expected to be fully recognised for the year ending 31 March 2018 and for the six months ending 30 September 2018, respectively.

We normally secure our projects through a competitive tender process from construction and foundation contractors, which are our direct customers and are either main contractors or subcontractors. Triangular Force was registered as a Registered Specialist Contractor in the category of foundation and site formation works with the Buildings Department in February 2017 and in April 2017, respectively, our Group is qualified to carry out private sector foundation and site formation works as a main contractor in Hong Kong.

During the Track Record Period, all of our revenue was derived from Hong Kong. In efforts to diversify our income source and pursue more profitable foundation works projects, we had submitted bids for projects in Macau. During the Track Record Period, we have been awarded 1 foundation contract in Macau with an initial contract sum of approximately MOP43.9 million in February 2017 and we have commenced project work in this contract as at the Latest Practicable Date.

We recognised revenue amounted to approximately HK\$86,604,000 and HK\$116,563,000 for the years ended 31 March 2016 and 2017. Our net profit for the corresponding periods was approximately HK\$17,281,000 and HK\$5,280,000, respectively.

OUR COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths enable our Group to compete effectively in the foundation industry:

Our management team possesses extensive experience and technical know-how

Our Directors consider that the success of our Group is principally attributable to the extensive experience, pragmatic approach and technical know-how of our management team. Each of our executive Directors, Mr. Tang and Mr. Chui, has approximately 20 and 26 years of experience, respectively, in the foundation industry. They have extensive hands-on site based experience with all stages of construction of bored piles, enabling our Group to refine the construction methods, properly deploy our machinery, accurately estimate the time and resources involved in different projects, tackle various technical issues and deliver quality and satisfactory services to our customers. Further, Mr. Leung Ping Kei, Mr. Lau Jeff Tak Wai and Mr. Au-Yeung Chi Kong, being our core senior management members, each has 18 years or more of related industry experience, assist our executive Directors to manage our Group's daily operations and on-site activities and provide professional solutions.

As the success of a foundation project to a large extent depends on the correct appraisal of the underground conditions, our knowledge and experience are particularly relevant because our familiarity with the local geological conditions and site constraints grow over time. We consider that we can make good use of all information provided to us at tender stage to rightly estimate the costs associated with a project. Our experience and knowledge enable us to make practical and informed judgment in coming up with effective and efficient working method and to adopt the most suitable bored piling methods according to the underground conditions of each individual site. Our management team's experience and know-how also give us a competitive edge in formulating a cost effective and competitive tender proposal.

We possess specialised machinery and equipment

Bored piling requires the use of different kinds of machinery. As at the Latest Practicable Date, we own 1 excavator, 1 air compressors, 6 crawler cranes, 5 oscillators, 5 reverse circulation drilling rigs, temporary steel casings with total length exceeding 2,000 m of various diameters and other equipment including hammer grabs, drill bits and bell out bits. Further, we keep a large number of steel casings with different diameters. Without owning any of the above machinery, our Directors believe that the construction of bored piles would incur higher costs since the contractor would have to lease the needed machinery. Moreover, as our Group owns more than one set of crawler cranes, oscillators and reverse circulation drilling rigs, our Group can construct a number of bored piles simultaneously which is conducive to our efficiency and profitability as well as can accommodate tight programme requirement. As at 31 March 2017, these specialised machinery and equipment had aggregate net book value of approximately HK\$61,739,000 and during the Track Record Period, our Group's total capital expenditures on machinery and equipment amounted to approximately HK\$38,718,000.

According to the Ipsos Report, bored piling has high capital requirements which remain as an entry barrier to the industry. Thus, our existing investment in machinery and equipment has set us apart.

For the storage of idling machinery and equipment, we have rented a warehouse with an area of approximately 40,000 square feet in Ping Che in the New Territories where we have a team of seasoned technicians providing in-house servicing and maintenance. Riding on our good knowledge of bored piling machinery, we are able to service and maintain the acquired machinery for better and reliable performance and minimise idling time due to breakdown.

We also believe that the condition of machinery and equipment is crucial to our operation process, in particular, delivery of high quality work to our customers as well as ensuring the safety of our workers. Direct control of machinery and equipment provides us the agility in deploying resources and capturing new business opportunities. Comparing to leasing, using own machinery and equipment enhances profitability after taking into account depreciation and maintenance expenses. It has been our Group's plan to continuously invest in new machinery and equipment and our Group intends to utilise part of the net proceeds from the Share Offer as well as internal resources to acquire additional machinery and equipment for maintaining our strong position in the bored piling industry. Please refer to the paragraph headed "Business strategies — Expansion of our capacity" in this section for further details.

Stringent quality control and established safety procedures

We believe that our workforce is one of our most valuable assets. According to the Ipsos Report, the construction industry is suffering from a shortage of workforce, including both new entrants and skilled labour. As a result, the ability to retain current employees and attract new talents has become a key to maintaining our competitive position in the construction industry. As at 31 March 2017, our Group directly employed 8 staff for project management and execution, 17 machinery operators and 38 workers, out of whom there were 2 key operators and foremen who have been working with our Group for more than 5 years. Because of this close and long-standing working relationship between our Directors and the workforce, we can have a better understanding of the need and capability of our workforce, which also enables effective project management and stringent quality control.

Apart from monetary rewards, our Directors believe that a pleasant, healthy and safe working environment is an important factor that employees would consider when choosing to work in a construction contractor. We put this at the highest priority of every of our construction projects. For the year ended 31 March 2017, the accident rate in respect of our Group's employees was 16.5 per 1,000 workers, respectively, as compared with the industrial level of 39.1 for the year 2015 as published by the Labour Department.

Foundation works form the support of structures above and thus, quality of foundation works is critical to the safety of the superstructure. Any defects found at a pile during quality testing have to be rectified before the pile is accepted by the customer. Typical rectification works may include coring and grouting and in the extreme case with extensive defects, the

pile may need to be abandoned and another pile has to be constructed. All these rectification works could be costly and time consuming and can lead to adverse financial and contractual consequence.

The quality of bored pile foundation is controlled by the skills of the machinery operators and workers as all significant work steps are performed underground. We place considerable emphasis on the quality of our foundation works and have implemented a stringent quality control system. We require our employees to adhere strictly to our prescribed procedure and quality manual. Our Directors attend site visits frequently and actively participate in the quality control process to ensure that the works performed by our employees and subcontractors can satisfy our customers' requirements with high precision and quality. Since our commencement of business in 2008, we have not encountered any serious quality problem requiring the construction of replacement pile.

We maintain stable relationships with our major customers and suppliers

Since our establishment in 2008, we have a long and stable business relationship with our major customers and suppliers. Our customers are construction or foundation contractors for both public and private projects, many of which are active and well-established contractors. For the years ended 31 March 2016 and 2017, our top five major customers had business relationship with us for one to nine years.

Our Group has also maintained stable business relationship with our major suppliers. For the years ended 31 March 2016 and 2017, our top five major suppliers had business relationship with us for one to nine years.

Our Directors believe that our pragmatic approach together with responsible and reliable performance strengthen the confidence of our customers and suppliers which would continuously support our business growth.

BUSINESS STRATEGIES AND FUTURE PLANS

Our principle business objective is to achieve sustainable growth in our current business and to capture more business opportunities by executing the following strategies:

Strengthening our market position in the bored piling construction sector

We plan to further strengthen our market position in the bored piling construction sector. According to the Ipsos Report, bored piling is capital intensive and high capital remains as an entry barrier. For maintaining our competitive position, we need to adhere to stringent and prudent financial management so that we could sustain our strong base of machinery and equipment and provide for the working capital needs of each project. Following the Listing with our expectedly enhanced market standing, we will step up our efforts to bid for further

number of as well as large-size bored piling projects, by capitalising our technical and experienced management team. Our Directors further believe that our stable relationships with our major customers and suppliers will facilitate us to achieve this business strategy and our increased capacity and improved working capital will also enable us to seize further opportunities. With the new proceeds from the Share Offer, our Directors believe that our Group would be better equipped in achieving this strategy and more accommodative to acquiring new machinery and equipment and hiring talents.

Expansion of our scope of services

In February 2017 and April 2017, Triangular Force was registered as Registered Specialist Contractor in the categories of foundation and site formation works, respectively, with the Buildings Department and since then has been qualified to carry out foundation works and site formation works in the private sector as a main contractor in Hong Kong. Despite construction of bored piles being our speciality, our Directors note that it is not uncommon that a single foundation works project may involve more than one foundation type, such as a combination of bored piles, mini-piles, driven H-piles and/or socketed H-piles. Being a “build-only” main contractor, the employer or its engineer determines the types of piles to be constructed and whenever we are awarded a foundation project, we will carry out the bored piling works ourselves while subcontract the other non-bored piling works to other specialist contractors. We believe this strategy will enable us to tap into new foundation works and diversify our income sources. Our experienced management team members collectively have the knowledge and hands-on experience in the construction of mini-piles, socketed H-piles, pipe piles and sheet piles, in addition to bored piles. Our executive Directors, Mr. Tang and Mr. Chui, and senior management members, Mr. Leung Ping Kei, Mr. Lau Jeff Tak Wai and Mr. Au-Yueng Chi Kong, have working experience in main contractors. They can supervise the progress and workmanship and ensure the accepted quality even though the works are subcontracted. For bored piling only project, overall project profit margin may improve as our Group, by acting as a main contractor, can profit from providing project management service which is not earned by us as a subcontractor. Our Directors note that some of the foundation main contractors, being our direct customers, have the capability of undertaking other foundation works but may not have the bored piling machinery and expertise and hence subcontract the bored piling work to us. In a similar strategy, by riding on our good customer relationship and knowledge of our customers, we intend to bid for foundation projects and subcontract the non-bored piling works to our customers or other capable subcontractors. We will start to actively build up relationships with developers and engineering consultants with an aim to promoting the design and adoption of bored piling and familiarising them with our technical capability and strengths in bored piling construction which they may be unable to understand from other foundation main contractors. Our Directors consider that our Group has a relatively flat organisation structure that we have no middle management staff and hence we can minimise staff costs to achieve low overhead as compared to other major foundation main contractors which have large size of machinery fleet capable of several types of foundation and hence we believe we would be able to formulate constructing competitive tenders. Subsequent to the Track Record Period, our Group has

BUSINESS

successfully been awarded a public foundation project as a main contractor, which has commenced operation. As estimated in the Ipsos Report, revenue of the foundation industry in Hong Kong is expected to grow at a CAGR of about 3.3% from 2017 to 2021, as compared to CAGR of 9.3% from 2011 to 2016; and revenue of the foundation industry in Macau is expected to grow at a CAGR of 1.2% from 2017 to 2021, as compared to 38.7% from 2011 to 2016. While the pace of industry growth is expected to be slower according to the Ipsos Report, our lean corporate structure is believed to cope well with challenges ahead and respond fast to changes.

We have been recruiting high-calibre candidates to our Group from time to time to strengthen our senior management team and satisfy operational needs. Mr. Lau Jeff Tak Wai and Mr. Au-Yeung Chi Kong, joined our Group in August 2016 and February 2016, respectively, each has vast experience in foundation engineering project management and contributed substantially to our business growth. We plan to recruit more professional and skilled project management staff so as to expand our Group's project management capacity and budgeting effectiveness in order to meet with the needs of a main contractor. Our Group will strengthen our human resources in this regard, by identifying suitable candidates to fill our site agent, quantity surveyor and account manager openings, who will support our project supervision, procurement and tendering, and accounting functions. The account manager will support our Chief Financial Officer in the quarterly reporting of our Company after the Listing, while our existing accounting staff will concentrate on maintaining accounting records and handling receivables and payables for our construction projects.

While we will continue to primarily undertake bored piling foundation projects as a subcontractor, our Directors will explore potential foundation projects which involve different piles or types of foundation in Hong Kong and Macau. Moreover, during the Track Record Period, we have been awarded and commenced one bored piling contract in Macau with an aggregate initial contract sum of approximately MOP43.9 million. Our Directors confirm that the Hong Kong foundation market will remain to be our Group's primary business focus, yet we will continue to seek opportunities in Hong Kong and Macau to broaden our income stream, effectively utilise our labour and machinery resources, and maximise our profit margin. We expect to utilise not less than 80% of our business development effort for projects in Hong Kong. We have been approached by contractors from time to time to discuss about the possibility of carrying out overseas construction projects or been invited to bid for them. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not undertaken any overseas projects other than in Hong Kong and in Macau and we are not currently involved in any negotiations for or consideration of any overseas projects which are located outside Hong Kong or Macau as at the Latest Practicable Date.

Expansion of our capacity

Our capacity also hinges on the availability of our machinery. During the Track Record Period, we have invested significantly in the addition of machinery and equipment and we will continue to enhance our machinery following the Listing by utilising the net proceeds from the Share Offer as well as other sources of financing. Our Directors believe that investment in machinery effectively boosts our capacity, allows us to stay competitive and enables us to capture further opportunities in the bored piling industry. This is also an effective step to strengthen our competitive strength, i.e. our possession of specialised machinery and equipment as discussed above. Our Directors continuously assess market demand and are of the opinion that it would be beneficial for us to extend our ability to construct larger size of bored piles, i.e. with a diameter of 3 m as our Directors consider that larger bored piles have greater load bearing capacity and are more economical and preferred by engineers in foundation design. In this regard, we have plan to acquire one set of crawler crane, oscillator and RCD rig capable of installing 3 m-diameter bored piles. Our Directors expect there will be increasing use of these machinery. As at the Latest Practicable Date, we have submitted 4 tenders for 3 m-diameter bored piling projects and these machinery will be fully utilised if any of the tenders is awarded to us. The acquisition of these machinery will increase our existing capacity of bored piling by 20% and alleviate the high utilisation rate of our Group's same types of machinery. Brand new equipments are more powerful as technology advances and can comply with environmental regulations as approved machinery, which our Group can make use of to undertake not only large bored piling projects, but also pile removal works and technically difficult projects involving adverse underground conditions.

Implementation of business strategies

For details on the implementation of the aforementioned business strategies, please refer to the section headed "Business Objective and Use of Proceeds" in this prospectus.

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

OUR BUSINESS OPERATIONS

A foundation is the first structure to be constructed which supports the superstructure to be built and its loads. Foundation can be broadly classified as shallow foundation and deep foundation, where the latter refers to the transfer of loads above ground down to the earth deeper than the former does. Our Group is a foundation subcontractor primarily specialising in construction of bored piles, which is a type of foundation classified as deep foundation, as well as other foundation works in Hong Kong. We are capable of installing bored piles with large diameters ranging from 1.5 m to 3 m of various pile lengths. We possess all standard plant and machinery and equipment necessary for the construction of bored piles.

As more and more old or dilapidated buildings are being demolished and redeveloped in Hong Kong, before foundation for the redeveloped building or other infrastructure is constructed, existing foundation of the old building may obstruct the construction of the new foundation and will need to be removed. Other foundation works mainly involve the removal of such pre-existing foundation or obstructing piles. We also derive a small portion of revenue from general labour subcontracting works as our ancillary services.

Bored piling

Bored pile is a type of reinforced concrete pile which is expected to bear heavy load as compared to other type of piles. Bored pile is a common foundation type used in Hong Kong and Macau. The load of the superstructure is supported by the bored piles resting onto a firm stratum, which is typically the bedrock, with the required bearing capacity. Bored pile is also known as replacement pile, as soil underground is replaced with cast in-situ concrete.

The major steps of bored pile construction, as well as the key machinery and equipment involved, are illustrated below:

(i) *Setting-out*

According to the contract drawings, the exact position of the bored pile is determined by land surveyors and is marked on the ground to guide the construction staff. The process is known as setting-out. We do not maintain land surveyors and setting-out is commonly provided by the main contractor of the project.

(ii) *Installation of temporary steel casing and drilling*

To excavate a bore hole, an oscillator is placed at the pile location and a temporary steel casing is driven down to the earth by the oscillator. The temporary steel casing has an internal diameter of the bored pile, ranging from 1.5 m to 3 m, and has a typical length of 6 m to 8 m. The temporary steel casing can be connected with other steel casings by welding or jointing to extend its length so that the whole steel casing can be driven down to the required depth. For example, if the design depth of the bored pile is 35 m deep, at least 5 temporary steel casings of 8 m long and of the same diameter are required for a single pile. As the temporary steel casing is being driven down, soil and rock materials inside the casing are continuously being crushed and grabbed out. The drilling process continues until the level as specified in the contract drawings and confirmed by the client, which is typically the bedrock level, is reached. Verticality of the steel casing is checked from time to time and deviation of the steel casing from vertical alignment should be rectified by the oscillator.



Temporary steel casing to be driven into the ground



Crawler crane

(iii) *Setting up the RCD rig*

Bored piles usually sit at a few metres below the bedrock level. When the excavation reaches the bedrock level, RCD rig is set up for drilling of hard rock. RCD rig uses hydraulic pressure and rotary motion of the drill to crush hard materials, which are then retrieved by blowing down compressed air down the drill rods to allow water and broken rock fragments to rise through the inner tube. Special drill bits are used for the drilling in this hard layer. It is also common for bored piles to have bellout formed at the pile base to increase the load carrying capacity of the pile. Our Group has bellout bits for the formation of bellout socket for bored piles.



Bellout bit



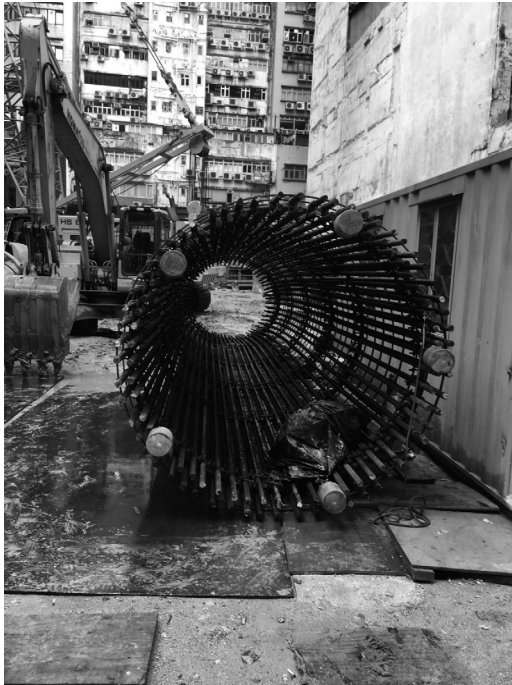
RCD rig

(iv) *Cleaning and testing*

After the bore hole is drilled completely, the bore hole will be cleaned by water and tests of verticality, depth, size of the bellout are carried out.

(v) *Fixing and placing of steel reinforcement*

Contract drawings specify the diameter and spacing of the reinforcement steel bars. As the bored piles are circular in shape, so is the arrangement of steel reinforcement. It is often the case that due to the limited space in construction site after placing the heavy machines, steel reinforcement are prefabricated off-site and the fixed steel reinforcement, dubbed as the rebar cage, is transferred to the site when it is ready for use. Crawler crane then places the rebar cage into the bore hole. Rebar cages are connected together by u-bolts as necessary to extend the reinforcement length to the depth of the bore hole.



Rebar cage

(vi) *Concreting*

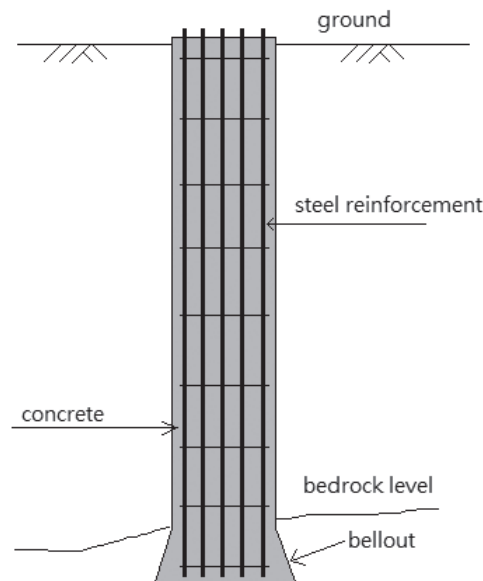
When all the steel reinforcement cages are inspected and placed into the bore hole, final cleaning of the bore hole will be conducted. High-workability concrete with the strength as specified by contract is poured into the bore hole by using tremie pipe. Further testing on the quality of the reinforced concrete bored pile will be conducted after the concrete is set.

(vii) *Extracting temporary steel casings*

During concreting, the oscillator will be reinstalled at the pile location and extract the temporary steel casings one by one. The extracted steel casings will then be used for the other piles or stored at the warehouse for other bored piling projects.

(viii) Testing of bored piles

When a bored pile is completed, interface coring tests are carried out at the interface between the pile base and the underlying rock to check whether the concrete of the pile is in good contact with rock at the interface and the rock is consistently of the required grade beneath the pile base. In addition, sonic logging test shall be performed via sonic tubes pre-installed in the rebar cage to check the integrity of the bored pile by measuring the propagation time of a sonic transmission between the tubes. These tests are carried out by approved firms.



(For illustration only, not to scale)

**Cross section of typical bored
pile with bellout**

Removal of pre-existing foundation

For a redevelopment or infrastructure project with foundation constructed over land with existing buildings or superstructures, the old foundation must be removed. This type of work is commonly encountered in urban redevelopment or railway projects where the proposed railway line passes through urban area. Since the existing piles to be removed were in general installed a long time ago and the conditions of the piles and ground condition were not fully documented and could not be accurately ascertained, piles removal often involves technical difficulty and uncertainty. Our Group has track record of successfully completing the removal of existing piles in Hong Kong and has the technical know-how to remove existing concrete piles, H-piles and pipe piles with concrete infill.

The general procedure for our pile removal works are briefly outlined as follows:

(i) *Setting-out*

According to all available information, the approximate position of the pile to be removed is determined by survey method and set out on the ground.

(ii) *Installation of temporary steel casing and drilling*

A specialised oscillator or a rotator which can undergo 360-degree rotation is placed at the set-out position to drive the temporary steel casing, typically with a diameter of 2 m, down into the ground. As the temporary steel casing is being driven down, soil and rock materials inside the casing are being crushed and grabbed out. The drilling process continues until the head of the pile to be removed is reached.

(iii) *Wedging the pile to be removed with the temporary steel casing and rotation of casing to twist the pile*

A chisel or grab of suitable size is lowered into the temporary steel casing to wedge the pile to be removed against the wall of the temporary steel casing. The oscillator or rotator then starts to rotate the temporary steel casing. The rotation will crack the concrete of the pile and the cracked and loosen concrete materials from the snapped pile section are grabbed and removed. This step is repeated section by section until the required length of the pile is removed.

(iv) *Removing steel H-pile*

For existing steel H-pile to be removed, a specialised remote-controlled cutting equipment is lowered to cut the exposed section of the steel H-pile.

OUR BORED PILING PROJECTS

Projects on hand

As at the Latest Practicable Date, we had 7 projects on hand (including projects in progress and projects which are yet to commence), details of which are as follows:

No.	Project code	Location of project	Nature of project	Commencement date	Expected completion date ⁽¹⁾	Initial contract sum	Revenue recognised for the year ended 31 March 2016	Revenue recognised for the year ended 31 March 2017	Accumulative turnover recognised since project commenced and up to the end of Track Record Period ⁽²⁾	Revenue expected to be recognised for the ⁽³⁾		
										HK\$'000	HK\$'000	HK\$'000
1	Job 40 ⁽¹³⁾	Central and Western District	Private	May 2016	January 2018	12,900	—	10,581	10,581	2,319	—	—
2	Job 47 ⁽¹⁷⁾	Sha Tin District	Public	November 2016	February 2018	10,729	—	2,181	2,181	4,430	4,118	—
3	Job 50 ⁽¹²⁾	Yau Tsim Mong District	Private	January 2017	October 2017	11,339	—	4,192	4,192	6,947	200	—
4	Job 55 ⁽⁸⁾	Macau ⁽⁵⁾	Public	February 2017	October 2017	41,745	—	—	—	37,289	4,456	—
5	Job 59 ⁽⁶⁾	Sha Tin District	Public	August 2017	January 2018	2,200	—	—	—	532	1,668	—
6	Job 60 ⁽⁹⁾	Central and Western District	Public	August 2017	January 2018	5,194	—	—	—	1,000	4,194	—
7	Job 61 ⁽¹⁸⁾	Kwun Tong District	Private	October 2017	September 2018	24,755	—	—	—	—	20,628	4,127

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Completed projects

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

No.	Project code	Location of project	Nature of project	Project duration ⁽⁴⁾	Final contract sum	Accumulative turnover recognised during the Track Record Period ⁽²⁾
					HK\$'000	HK\$'000
1	Job 30 ⁽¹²⁾	Wan Chai District	Private	From January 2015 to June 2015	6,048	3,110
2	Job 31 ⁽¹²⁾	Yau Tsim Mong District	Private	From April 2015 to November 2015	27,936	27,936
3	Job 32 ⁽¹⁵⁾	Sha Tin District	Private	From July 2015 to January 2017	26,719	26,719
4	Job 34 ⁽¹²⁾	Kowloon City District	Private	From October 2015 to April 2016	4,602	4,602
5	Job 35B ⁽⁹⁾	Central and Western District	Public	From January 2016 to February 2017	12,168	12,168
6	Job 36 ⁽¹⁵⁾	Eastern District	Public	From June 2015 to November 2016	2,050	2,050
7	Job 37 ⁽¹²⁾	Sha Tin District	Private	From February 2016 to June 2016	6,900	6,900
8	Job 38 ⁽¹²⁾	Kowloon City District	Private	From January 2016 to May 2016	9,101	9,101
9	Job 39 ⁽¹⁰⁾	Islands District	Public	From April 2016 to December 2016	10,784	10,784
10	Job 42 ⁽¹²⁾	Kowloon City District	Private	From June 2016 to October 2016	6,000	6,000
11	Job 44 ⁽¹⁵⁾	Kwun Tong District	Private	From February 2016 to November 2016	2,331	2,331
12	Job 45 ⁽¹⁶⁾	Sham Shui Po District	Private	From July 2016 to December 2016	4,842	4,842
13	Job 49 ⁽¹⁰⁾	Islands District	Public	From August 2016 to December 2016	3,052	3,052
14	Job 53 ⁽¹²⁾	Wong Tai Sin District	Private	From January 2017 to February 2017	1,032	1,032
15	Job 26 ⁽⁹⁾	Wong Tai Sin District	Public	From September 2014 to April 2015	17,792	3,654
16	Job 28 ⁽¹²⁾	Tuen Mun District	Private	From October 2014 to May 2015	17,143	4,270
17	Job 29 ⁽⁹⁾	Yau Tsim Mong District	Public	From December 2014 to April 2015	4,448	426
18	Job 35A ⁽⁷⁾⁽⁹⁾	Central and Western District	Public	From October 2015 to February 2017	24,010	24,010

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

No.	Project code	Location of project	Nature of project	Project duration ⁽⁴⁾	Final contract sum	Accumulative turnover recognised during the Track Record Period ⁽²⁾
					HK\$'000	HK\$'000
1	Job 41 ⁽¹²⁾	Tuen Mun District	Private	From August 2016 to June 2017	19,892	19,042
2	Job 48 ⁽¹²⁾	Sai Kung District	Public	From November 2016 to April 2017	2,361	2,361
3	Job 51 ⁽¹³⁾	Yau Tsim Mong District	Private	From January 2017 to July 2017	4,312	3,360
4	Job 52 ⁽¹³⁾	Yau Tsim Mong District	Private	From February 2017 to September 2017	6,046	1,759
5	Job 54 ⁽¹⁴⁾	Yau Tsim Mong District	Private	From February 2017 to June 2017	8,156	5,156
6	Job 56 ⁽¹⁷⁾	Sai Kung District	Public	From April 2017 to July 2017	2,913	—
7	Job 57 ⁽¹¹⁾	Islands District	Public	From May 2017 to June 2017	600	—
8	Job 58 ⁽¹⁵⁾	Southern District	Private	From July 2017 to August 2017	1,700	—

Notes:

- Expected completion date represents our management's best estimate or the latest master programme for the construction project available to us for the date of completion of our works.
- The final accumulative turnover recognised during the Track Record Period may deviate from the initial/final contract sum as (i) turnover may have been recognised prior to the Track Record Period; (ii) works done may need to be approved by our customer after the Track Record Period; or (iii) value of our works may increase or decrease after remeasurement of works or due to subsequent variation orders.
- Revenue expected to be recognised in subsequent financial periods represents our management's best estimate with reference to the (i) master programme; (ii) turnover previously recognised; and (iii) our estimate on the respective customer's progress of certification and as such is inherently subject to great uncertainties but excludes variation orders which value has not been agreed.
- Project duration covers the duration of our works with reference to the commencement date and completion date of our works set out in our record, letter of acceptance, payment certificate or Directors' judgment.
- We were awarded a bored piling project in Macau from a contractor with its parent company based in China. We were invited to submit quotation for this project by our Directors' business acquaintance. Our Directors confirm that, to their best knowledge, it is not uncommon in the construction industry that contractors in

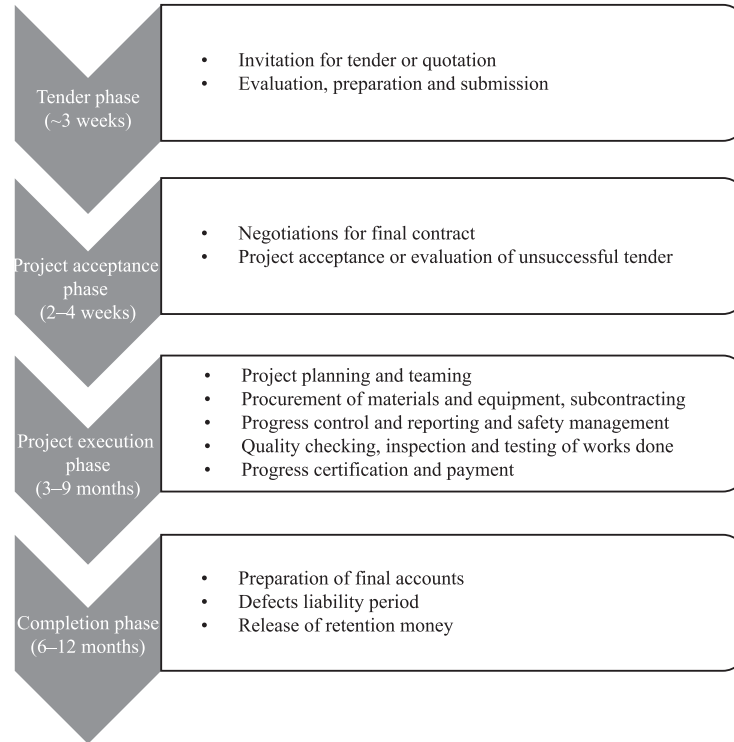
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Hong Kong also undertake projects in Macau. Our Directors expect that the profit margin of the Macau project will be similar to that of our Group's existing projects in Hong Kong and our Group's gross profit margin for the year ended 31 March 2017.

6. We have been awarded by the Education Bureau for being the main contractor of a project of excavation and lateral support and foundation work.
7. The project experienced delay as a result of delayed handover of project to us and the project recorded a gross loss for the year ended 31 March 2017, although it was overall profitable. Other than the above project, we did not experience any material delay or cost overrun during the Track Record Period.
8. The project is part of a major Macau infrastructure project initiated by the Macau government.
9. The project is associated with the Sha Tin to Central Link, one of Ten Major Infrastructure Projects.
10. The project is associated with the Hong Kong-Zhuhai-Macao Bridge, one of Ten Major Infrastructure Projects.
11. The project is associated with the third runway system at Hong Kong International Airport, one of the large-scale infrastructure projects in Hong Kong.
12. The project is associated with a residential property development project in Hong Kong.
13. The project is associated with a hotel development project in Hong Kong.
14. The project is associated with a tourist attraction revitalisation project in Hong Kong.
15. The project is associated with a school development project in Hong Kong.
16. The project is associated with a commercial building development project in Hong Kong.
17. The project is associated with a Government's civil engineering project in Hong Kong.
18. The project is associated with an industrial redevelopment project in Hong Kong.
19. Our Group has not experienced any issues, hazards, uncertainties for carrying out its foundation work due to geological or sub-soil conditions and there is no associated project delays during the Track Record Period up to the Latest Practicable Date.

OPERATING PROCESS

For illustration purpose, a simplified flow diagram of the general operational procedures of our construction projects is depicted below:



Note: The time frame is illustrative only and actual time frame of a given project may vary significantly as it depends on various factors, such as the complexity of the project, the master construction programme required by the main contractor or employer, process of negotiation, etc.

1. Tender phase

Invitation for tender or quotation

As a usual practice, we are invited by our customers, which are primarily main contractors of a foundation engineering project, to submit a tender or provide a quotation for tendering for the works subcontracted. Sometimes our direct customers are subcontractors of a foundation engineering project and in such case we are the sub-subcontractor.

Evaluation, preparation and submission

After receiving the tender invitation, we normally set up a tender team which consists of our executive Directors, technical directors and quantity surveyors. These personnel examine the tender documents which normally comprise drawings, geological reports, work programme, contract requirements and specifications, or other project specific information necessary to ascertain the feasibility and potential competition of the project. The tender team

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may also attend site visit to gain better understanding of the site condition and environment nearby. After we have decided that a project is commercially viable, we will then prepare a tender or quotation for submission.

Pricing of our quotations and pricing strategy

The contracts we enter into with our customers are generally re-measurement or lump sum contracts. In determining our quotations, we estimate our costs and then determine an appropriate profit margin. For bored piles construction, our pricing is usually determined based on the depth of boring, the soil properties and the length and size of the pile. Our quotation is prepared based on a number of factors, such as (i) the duration of the project; (ii) cost and availability of workers, materials and machinery; (iii) geological conditions such as the depth of the bedrock level and hardness of different layers of soil; (iv) site constraints and location; (v) our working relationship with the main contractor or customer in the past; (vi) our capacity; (vii) other specific requirements in the contract; and (viii) potential competition of the project and prevailing market condition. Our Directors consider that it is of utmost importance to estimate our quotation accurately as most of our contracts do not allow for price fluctuation and cost overrun may result in diminished project return or even a loss.

Quotations submitted during the Track Record Period

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

	For the year ended 31 March	
	2016	2017
Number of tender invitations	37	45
— Public sector projects	13	14
— Private sector projects	24	31
Number of project bids	26	35
— Public sector projects	10	11
— Private sector projects	16	24
Number of successful project bids	12	14
— Public sector projects	5	5
— Private sector projects	7	9
Success rate (%)	46.2%	40.0%
— Public sector projects	50.0%	45.5%
— Private sector projects	43.8%	37.5%

For the year ended 31 March 2016, we were engaged in and completed a large scale bored piling project with a contract sum of approximately HK\$27.9 million. To fill our project pipeline in anticipating the completion of the large scale project, we had been actively looking for new foundation projects. In view of the market opportunities of a number of smaller

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foundation projects and our increased capacity due to investments in our plant and machinery, we submitted quotations with enhanced competitiveness and our tender success rate maintained at 46.2% for the year ended 31 March 2016 and 40.0% for the year ended 31 March 2017. According to the Ipsos Report, the Hong Kong foundation industry is forecast to increase at a CAGR of about 3.3% over 2017 to 2021 due to steady supply for residential and commercial buildings, as well as infrastructure projects in both the public and private sectors. The estimated gross output value of the foundation industry in Macau is projected to rise at a CAGR of 1.2% from 2017 to 2021, according to the Ipsos Report. Together with our plan to acquire additional machinery and equipment and hire additional staff to expand our capacity and scope of services, we expect to maintain a high degree of participation in submitting bids for foundation projects going forward. We have about 0.6% of the market share in the foundation industry in Hong Kong for the year ended 31 March 2017, in terms of revenue, according to the Ipsos Report. Our Directors are willing to seize any opportunities and believe that our Group has room to increase our market share in the foundation industry.

During the Track Record Period and going forward, it has been and will be our tendering strategy to identify larger size bored piling projects in Hong Kong which we will prioritise our resources and tender competitiveness due to benefits of centralised project management and if our capacity allows, we will bid for smaller projects with an aim to achieve full deployment of our resources. Further, when invited for tendering, apart from a certain expected profit margin we will apply to our quotation, we will also consider the indirect benefits associated with the project, such as the overhead of idling machinery and equipment, whether the project will strengthen our job references, whether the commencement of new project can link with completion of existing project such that the machinery can be directly transported to the new site instead of to the warehouse. We only submit tenders which we, having evaluated all relevant factors, believe we have a chance to be awarded. Our Directors are of the view that the resultant tender success rates would mainly depend on the level of profit margin reflected in our quotation and the customers' acceptability. As discussed in the paragraph above headed "Business — Business strategies and future plans" in this section, going forward, we will also broaden our scope of work by submitting bids to projects involving other foundation types by leveraging Triangular Force's registration as Registered Specialist Contractor in the categories of foundation and site formation works with the Buildings Department under which it is qualified to carry out foundation works and site formation works in the private sector as a main contractor in Hong Kong.

As at the Latest Practicable Date, we have submitted 20 tenders, out of which 3 tenders are for public sector project while 17 tenders are for private sector project. Save one tender for acting as a main contractor, all of them are tenders for acting as a subcontractor, with aggregate tendered amount of approximately HK\$423,159,000 pending outcome from customers. It should be noted that tenders are subject to customers' different evaluation criteria and the final contract value will also be subject to negotiation. Subsequent to the Track Record Period, we have been awarded by the Education Bureau for being the main contractor in an excavation and lateral support and foundation project in the public sector with initial contract sum of approximately HK\$2.2 million. Although this project is in the public

sector, we were eligible to submit the tender and execute the works as we satisfied the special condition of the tender that the works shall be executed by contractor which has been qualified as, among the several approved lists of contractors, Registered Specialist Contractors under the foundation works category. This has been our Group's first ever project to be a main contractor.

2. Project acceptance phase

Tender negotiation and evaluation of unsuccessful tenders

After we submitted our tender to our customer, our customer may issue tender enquiries to us requesting clarifications of certain details and arrange an interview with us. We often need to negotiate with the client regarding our quotations before our client confirms to engage us. Once our client decides to engage us, we are informed of the project acceptance and we may then enter into a formal subcontract agreement with the customer, which is the main contractor or the subcontractor of the foundation project.

If we are not successful for a particular bid, our tender team will try to understand from the customer the reasons for choosing other contractors. Internal evaluation meetings are regularly convened to discuss such failed bids with an aim to identifying our weaknesses and suggesting methods for improving our competitiveness.

3. Project execution phase

Project planning and teaming

Our project management team generally includes a project manager, engineers and site foremen. The project management team is responsible to supervise and manage the gang of operators, which includes riggers, crane operators and general labour as well as subcontractors. Our executive Directors will determine the number of sets of equipment and the corresponding workforce required to complete the project in accordance with the time period as set out in the contract. They will then closely monitor the progress of the project on a continuous basis and evaluate whether additional or less project team members will be required. Our project team will oversee the project on site and report to our executive Directors on the project status and identify issues that need attention or to be resolved from time to time. Our executive Directors also attend to site matters on a daily basis to supervise the overall project progress and communicate with clients and other relevant parties.

The following describe the general duties performed by the key members of our project team:

Project manager

Our project manager is mainly responsible for supervising the work other members of the project team, reviewing the progress report and liaising with customers, suppliers and subcontractors. The project manager plays a key management and supervisory role in

keeping a project on track. Our project manager also provides guidance on dealing with technical issues, considers instructions from our customers and deals with project certification issues. On an ongoing basis, our project manager reports directly to our executive Directors for the projects he oversees.

Engineer

Our engineer is responsible for preparing technical submissions to the clients, and if necessary, to the client's consultants or engineers. The engineer is responsible to study construction drawings in order to formulate work programme, prepare method statements, quality checking, arrange materials and labour and identify technical difficulties. After completion of the piling work, the engineer will arrange sampling tests and submission of test reports.

Site foreman

Our foreman is responsible for the operations, front line supervision and leading the work gang and subcontractors.

Procurement of materials and equipment, subcontracting

The major materials for the construction of bored piles are steel reinforcement bars, concrete, u-bolts and reservation pipes while major plant and equipment required are crawler cranes, oscillators, RCD rigs and temporary steel casings. We consider that we own a sufficiently large stock of temporary steel casings for use and mobilise our plant and equipment to the site according to our work programme. We may rent the required plant and equipment from third parties should ours be engaged in other projects or the site need machinery with special functions which we do not own.

For steel reinforcement bars and concrete which are commonly consumed by various trades in a construction project, as very often the case our customer, being the main contractor of the project, will enjoy centralised purchase benefits from its suppliers for consumption in the same project, we normally procure concrete and steel through our customer under contra-charge arrangement. Please refer to the paragraph headed "Customers, sales and marketing — Contra-charge arrangement" in this section below for details.

We subcontract reinforcement fixing, equipment and machinery transportation and soil disposal to our subcontractors.

Progress control and reporting and safety management

Our project manager usually provides progress report to our executive Directors, who also visit the construction sites, from time to time. Such report includes project performance, plants and facilities on site, any delays and their causes, and safety and environmental matters. In addition, we normally hold regular progress meetings with our customer or the main contractor throughout the project duration to report our work done and discuss the overall

project status. The project team members will keep monitor the progress of their respective works and they are all supervised by the main contractor and in some cases, the ultimate owner of the project or its project consultant.

We emphasise strongly on work safety and require all the staff of our Group and our subcontractors to wear all necessary personal protection equipment, such as safety helmet, reflective vests and safety shoes before working on site. We strictly follow the safety policy implemented by the main contractor and our site foremen will also ensure all workers of our Group and our subcontractors comply with all safety provisions and issue warnings to those who offence.

Quality checking, inspection and testing of works done

Our engineer and foreman check the quality of our works done before requesting inspection by our customer. Measures are in place to monitor and check the key construction steps to ensure they comply with the required workmanship standard. These include the connection of temporary steel casings and steel reinforcement cages, verticality of the bore hole throughout drilling, the cleanliness of the pile base, quality and workability of the concrete and tremie pipe withdrawal procedure. We request our customer to inspect and certify our works done only if we are satisfied with the quality.

A number of tests on the completed bored pile are required by the customer or by regulatory bodies. The typical tests include (i) interface coring test, a test to reveal the consistency of the founding rock, concrete and the interface between the bored pile and the rock; and (ii) sonic logging test, a test for integrity of concrete in the bored pile and detecting defects such as honeycombs.

Progress certification and payment

In general, our Group requires our customers to make progress payments to us on a monthly basis. Our Group submits monthly payment application to the customers based on work done, which may include the delivery of materials, in the previous month. The payment application is then certified by our customer (who is the main contractor, or in case our direct customer is a subcontractors, certification of works done may also require the ultimate certification by the main contractor) to agree with our works done and the payment amount is measured with reference to the method of measurements as specified in the contract. Our customers usually settle our bills, net of any agreed retention money, which is in general 5% to 10% of the bill, and contra-charge amount within 7 to 46 days after receiving our payment application.

We pay our subcontractors on either monthly basis, based on our subcontractors' payment applications and our certification procedures.

4. Completion phase

Preparation of final account

When our foundation project is practically completed, we will prepare the final account with the customer to set out the amount to be paid by the customer by taking into account the value of total work done, amount previously paid, the retention money, claims, etc.

Defects liability period and release of retention money

Subject to the requirements of the contract, we may provide a defects liability period, normally up to 12 months from the practical completion of the project, during which we are responsible for making good of any defects identified. For details of the release of retention money, please refer to the paragraph headed “Principal terms of our contracts with customers — Retention money” below in this section.

CUSTOMERS, SALES AND MARKETING

For the years ended 31 March 2016 and 2017, our revenue amounted to approximately HK\$86,604,000 and HK\$116,563,000, respectively.

All of our customers directly engage us and not through an intermediary and are primarily the main contractors or subcontractors of foundation projects in Hong Kong. Our foundation projects are mainly the initial phase of property development projects in the private sector or railway project in the public sector. We also served in the public sector in projects involving removal of existing foundation, where our customers were also the main contractors of those projects. Other than the Macau project which our service fees are denominated in Macau Patacas, most of our customers are based in Hong Kong and our service fees are denominated in Hong Kong dollars. Owing to our good customer relationship and our track record of bored piling and pre-existing foundation removal, we have had returning customers for different foundation projects. During the Track Record Period and up to the Latest Practicable Date, eight customers awarded more than one project to our Group.

For the years ended 31 March 2016 and 2017, the percentage of our Group’s aggregate turnover attributable to our Group’s largest customer was 32.3% and 27.0% for the corresponding periods, respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 88.2% and 69.6%, respectively.

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The following tables set out a breakdown of our revenue by our five largest customers during the Track Record Period, together with the customers' background information:

For the year ended 31 March 2016

Rank	Customer	Background of customer	Year of first becoming our customer	Credit term	Revenue derived from customer for the year	
					HK\$'000	% of total revenue
1	In Construction Limited	A foundation contractor in Hong Kong and is a subsidiary of a company listed on the Main Board of the Stock Exchange	2010	15 days upon certification of works done	27,936	32.3
2	Hon Fung Engineering (Hong Kong) Limited	A construction contractor in Hong Kong engages in building construction, interior fitting-out and addition and alteration works	2015	7 days upon certification of works done	16,667	19.2
3	Sunnic Engineering Limited	A foundation contractor in Hong Kong and is a subsidiary of a company listed on the Main Board of the Stock Exchange	2012	30 days upon certification of works done	13,038	15.1
4	Customer D	A foundation contractor in Hong Kong	2014	14 days upon certification of works done	11,107	12.8
5	Customer E	A construction contractor in Hong Kong engages in building construction	2015	30 days upon certification of works done	7,646	8.8
Five largest customers combined					<u>76,394</u>	<u>88.2</u>
All other customers					<u>10,210</u>	<u>11.8</u>
Total revenue for the period					<u><u>86,604</u></u>	<u><u>100.0</u></u>

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For the year ended 31 March 2017

<u>Rank</u>	<u>Customer</u>	<u>Background of customer</u>	<u>Year of first becoming our customer</u>	<u>Credit term</u>	<u>Revenue derived from customer for the year</u>	
					<u>HK\$'000</u>	<u>% of total revenue</u>
1	Customer D	A foundation contractor in Hong Kong	2014	14 days upon certification of works done	31,500	27.0
2	Customer F	A construction contractor in Hong Kong engages in building construction	2008	15 days upon certification of works done	15,553	13.3
3	Hon Fung Engineering (Hong Kong) Limited	A construction contractor in Hong Kong engages in building construction, interior fitting-out and addition and alternation works	2015	7 days upon certification of works done	12,382	10.6
4	Sunnic Engineering Limited	A foundation contractor in Hong Kong and is a subsidiary of a company listed on the Main Board of the Stock Exchange	2012	30 days upon certification of works done	10,972	9.4
5	Customer G	A global specialist ground engineering contractor with headquarters in France	2016	40 days from date of invoice	10,784	9.3
Five largest customers combined					<u>81,191</u>	<u>69.6</u>
All other customers					<u>35,372</u>	<u>30.4</u>
Total revenue for the period					<u><u>116,563</u></u>	<u><u>100.0</u></u>

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

Principal terms of our contracts with customers

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

Contract sum	:	The initial agreed amount for carrying out the scope of work.
Contract period	:	The expected project commencement date and completion date, or the expected duration of the project.
Type and scope of work	:	The type and scope of works our Group is required to perform.
Payment terms	:	The period for settlement of our work done or materials provided after we submit our payment application varies contract by contract. Depending on the terms and conditions of the contracts, the credit term is generally 7 to 46 days from the date of payment application to our customer or 15 to 30 days from the certification of works done.
Conditions of contract and specifications	:	Description of contract's conditions and the specifications of the works.
Variation orders/ contingencies	:	Our customer may from time to time requires us to make variations to the contract drawings or specifications and the variations are usually valued by referencing to the rates and prices in the bills of quantities in the contract or prevailing market value.
Liquidated damage	:	The amount of liquidated damage payable by our Group per day if we fail to complete the agreed scope of work within the contract period as provided in the contract.

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- Retention money : The contract generally provides for a sum to be held up by our customer at each progress payment to us. The amount of money to be held up is typically in the range of 5% to 10% of the certified amount but the total retention money can be withheld is subject to a maximum value, normally at 5% of the total contract sum. The release of retention money varies among customers and is generally in the following ways: (1) full amount of retention money is released after the defects liability period and final account is agreed; and (2) half the retention money is released at practical completion while the remaining half 3 to 12 months after completion and expiry of the defects liability period.
- Bills of quantities : set out the quantity of work and corresponding unit rate
- Contra-charge arrangement : We may request our customer to place orders for materials used for our work. Our customer may impose a handling and administration charge of a certain percentage of the cost of the materials ordered. The value will be deducted from the payments made by our customers to us in each interim progress payment.
- Default : Whenever there is default of contract by our part, for example, if we fail to execute the contract works or perform our obligations or proceed regularly with the progress pursuant to the contract, our customer may determine the contract with us, order our staff and subcontractors to leave the work site, take possession of our materials and equipment on site and claim us for damages including the costs for completing the remaining project work.
- Defects liability period : In line with industry practice, our customers often specify a defects liability period of up to 12 months after practical completion of the project in our contract. If any defect is found in our work, we are responsible for making good during the defects liability period.

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- Insurance : In general, it is the obligation of the main contractor of the foundation project to effect proper insurance policies against employees compensation and contractor's risks, we are, however, responsible for insuring against losses of our plants and machinery. Please refer to the paragraph headed "Insurance" in this section for further details on our insurance practice.
- Safety : If our staff or our subcontractors are found not to comply with the safety policies of our customers, warnings or penalty may be imposed on our Group.
- Termination : Generally, our customers are entitled to terminate our contract under certain circumstances, such as the main contract being terminated, events of default, our failure to remove defective materials or making good of defective works after being instructed by our customers. The notification period for termination of our contract is generally not specified.

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

Credit policy and retention money

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

After entering into a formal contract and the construction project commences, our chief financial officer and the project directors will maintain a register of interim payment applications and will monitor whether all payment certificates have been duly issued by our customer and payments from the customer have been settled. If any long overdue balance is found, our executive Directors are informed and will liaise with our customers to remind them to settle our bills.

We will usually grant our customers a credit period ranging from 7 to 46 days from the date of application for works done certification. Our customers will usually retain up to 5% to 10% of each interim payment and up to a maximum of 5% of the total contract sum as retention money. Depending on the agreement, either half of the retention money is normally released upon practical completion of our works and the remaining half will be released upon the end of the defects liability period, which usually lasts for 3 to 12 months; or the full amount of the retention money is released after the expiry of the defects liability period. As at 31 March 2017, our retention receivables amounted to approximately HK\$8,442,000. During the Track Record Period and up to

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the Latest Practicable Date, we had no dispute with our customers regarding the collection of retention money which would have had a material impact on our business, financial condition or results of operations.

We do not make any general provision for doubtful debts. Our Directors determine specific provision for doubtful debts on a case-by-case basis. When determining such specific provision, our Directors consider length of business relationship with the customer, the reputation of the customer, its financial strength and history of repayment. We did not make any provision or allowance for doubtful debts for the years ended 31 March 2016 and 2017. For details on our receivables turnovers days and retention receivables turnover days, please refer to the section headed “Financial Information — Discussion of certain consolidated statements of financial position items” of this prospectus.

Sales and marketing

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

We have not maintained a dedicated sales and marketing team as we have relied on word-of-mouth by providing pragmatic, responsive, quality and focused bored piling works and our resourceful project management team. In addition, we participate in the sales and marketing activities and social events hosted by other industry players to keep abreast of the latest market developments and industry information.

We have used endeavours and continue to deliver quality results to maintain good business relationship with existing customers as well as entice new customers in the foundation works industry.

Seasonality

Our Directors believe that the foundation works industry does not exhibit any significant seasonality.

Contra-charge arrangement with our customers

In the construction industry, it is common that a main contractor may pay on behalf of its subcontractors for certain expenses in a construction project regarding the purchase of materials or provision of plants and machinery. Such expenses are typically deducted from the customer's payments to the subcontractors in settling their fees. This payment arrangement is known as the "contra-charge arrangement" and the amounts involved are referred to as "contra-charge".

During the Track Record Period, we had contra-charge arrangement with some of our customers which our Directors confirm were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. For the years ended 31 March 2016 and 2017, 5 and 14 of our projects were under contra-charge arrangement, respectively. Pursuant to the contra-charge arrangement set out in the contract with our customers, upon our request, our customer may purchase construction materials specified in the contract such as concrete and steel and make payments on our behalf. Such purchase cost of construction materials or machinery rental cost is settled by way of contra-charge to the account with such customer. The major construction materials consumed by our Group under contra-charge arrangement are concrete and steel reinforcement which are centralised to be purchased by the main contractor of the construction project. Effectively, the payments due to us from our customer will be settled after netting off such contra-charge amounts. For the years ended 31 March 2016 and 2017, our contra-charge incurred amounted to approximately HK\$3,611,000 and HK\$11,631,000, respectively, and such contra-charge attributable to our five major customers during the corresponding periods amounted to approximately HK\$3,078,000 and HK\$9,961,000, representing 85.2% and 85.6% of our total contra-charge incurred for the period, respectively. As we settled such costs by way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials were reduced by the same amount. Therefore, the contra-charge arrangement had no material effect on our Group's cashflow positions during the Track Record Period.

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

	For the year ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Hon Fung Engineering (Hong Kong) Limited				
Revenue derived and approximate % of total revenue	16,667	19.2	12,382	10.6
Contra-charge amounts and approximate % of total cost of sales	1,107	1.8	859	0.9
Weighted average of gross profit margin ⁽¹⁾		35.6		30.7
Sunnic Engineering Limited				
Revenue derived and approximate % of total revenue	13,038	15.1	10,972	9.4
Contra-charge amounts and approximate % of total cost of sales	1,498	2.4	168	0.2
Weighted average of gross profit margin ⁽¹⁾		10.8		(0.3)
Customer D				
Revenue derived and approximate % of total revenue	11,107	12.8	31,500	27.0
Contra-charge amounts and approximate % of total cost of sales	473	0.8	7,741	8.0
Weighted average of gross profit margin ⁽¹⁾		22.7		14.3
Customer F				
Revenue derived and approximate % of total revenue	1,928	2.2	15,553	13.3
Contra-charge amounts and approximate % of total cost of sales	—	—	1,086	1.1
Weighted average of gross profit margin ⁽¹⁾		30.4		31.1
Customer G				
Revenue derived and approximate % of total revenue	—	—	10,784	9.3
Contra-charge amounts and approximate % of total cost of sales	—	—	107	0.1
Weighted average of gross profit margin ⁽¹⁾		—		12.7

Note:

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

SUPPLIERS

Our suppliers primarily supply the following materials to us: (i) plant and machinery; (ii) concrete; (iii) steel; (iv) diesel fuels; (v) reservation pipes; and (vi) temporary steel casings and other equipment. Other than plant and machinery and temporary steel casings which we can re-use in different projects, we generally order construction materials on a project-by-project basis and we do not enter into any long-term contract with our suppliers. The terms of our supply contracts include the type of materials, price, quantity and payment terms. Except for the construction materials we purchase through the main contractor under contra-charge arrangement, we select suppliers mainly based on: (i) quality of materials; (ii) timeliness of delivery; (iii) previous experience and length of relationship with the supplier; (iv) competitiveness of the price offered; and (v) reputation of the supplier. As we are provided with the standard requirements of the materials and we are liable for the quality of our project, and as subcontractor, we are able to choose our own suppliers for our projects. For our bored piling project in Macau, major construction materials, including concrete and steel, are supplied by the customer, and we also purchase other materials from local suppliers.

As at the Latest Practicable Date, there were 83 suppliers on our list of approved suppliers, which is reviewed and updated regularly. During the Track Record Period, our Group did not experience any material difficulties or delays in performing our project works caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given that (i) there are abundance of suppliers of our required materials in the market; (ii) we are usually given sufficient time to arrange the required materials; and (iii) the materials we consume are common in the construction industry.

Five largest suppliers

Purchases from our largest supplier (excluding our subcontractors) accounted for 3.8% and 8.0% of our total cost of sales for the years ended 31 March 2016 and 2017, respectively. Purchases from our five largest suppliers (excluding our subcontractors) accounted for 15.0% and 16.2% of our total cost of sales for the years ended 31 March 2016 and 2017, respectively.

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

For the year ended 31 March 2016

<u>Rank</u>	<u>Supplier</u>	<u>Background of supplier</u>	<u>Type of purchases</u>	<u>Year of first becoming our supplier</u>	<u>Credit term</u>	<u>Purchases by us from the supplier and % of total cost of sales</u>	
						<u>HK\$'000</u>	<u>%</u>
1	Supplier A	A sole proprietorship registered in Hong Kong	Diesel fuel and oil products	2008	45 days	2,387	3.8
2	Supplier B	A limited liability company incorporated in Hong Kong	Rental of machinery	2013	60 days	2,267	3.7
3	Supplier C	A sole proprietorship registered in Hong Kong	Hardware and metal equipment	2011	90 days	2,043	3.3
4	Sunnic Engineering Limited	A foundation contractor in Hong Kong and is a subsidiary of a company listed on the Main Board of the Stock Exchange	Concrete	2012	N/A	1,498	2.4
5	Hon Fung Engineering (Hong Kong) Limited	A construction contractor in Hong Kong engages in building construction, interior fitting-out and addition and alternation works	Concrete	2015	N/A	1,107	1.8
Five largest suppliers combined						<u>9,302</u>	<u>15.0</u>
All other suppliers						<u>12,109</u>	<u>19.5</u>
Total cost of sales						<u><u>62,096</u></u>	<u><u>100.0</u></u>

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For the year ended 31 March 2017

Rank	Supplier	Background of supplier	Type of purchases	Year of first becoming our supplier	Credit term	Purchases by us from the supplier and % of total cost of sales	
						HK\$'000	%
1	Customer D	A foundation contractor in Hong Kong	Concrete	2014	N/A	7,741	8.0
2	Supplier A	A sole proprietorship registered in Hong Kong	Diesel fuel and oil products	2008	45 days	2,748	2.9
3	Supplier C	A sole proprietorship registered in Hong Kong	Hardware and metal equipment	2011	90 days	2,415	2.5
4	Supplier D	A limited liability company incorporated in Hong Kong	Rental of machinery	2016	30 days	1,527	1.6
5	Supplier E	A sole proprietorship registered in Hong Kong	Diesel fuel and oil products	2015	30 days	1,202	1.2
Five largest suppliers combined						<u>15,633</u>	<u>16.2</u>
All other suppliers						<u>20,499</u>	<u>21.3</u>
Total cost of sales						<u><u>96,363</u></u>	<u><u>100.0</u></u>

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

SUBCONTRACTING ARRANGEMENTS

It is a common industry practice for subcontractors to further subcontract part of their works to sub-subcontractors. Subject to our capacity, resources level, cost effectiveness, complexity of the projects and customer's contract requirements, we usually subcontract reinforcement bar fixing and transportation of waste materials as we are not specialised in rebar fixing and we do not keep the required fleet of lorries.

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

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

For the years ended 31 March 2016 and 2017, subcontracting charges (including transportation expenses) incurred by our Group amounted to approximately HK\$7,855,000 and HK\$21,001,000, respectively.

Major subcontractors

For the years ended 31 March 2016 and 2017, our Group's subcontracting charges incurred by the largest subcontractor represented 3.1% and 6.1% of our Group's total cost of sales for the year, respectively.

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

For the year ended 31 March 2016

Rank	Subcontractor	Background of subcontractor	Type of works subcontracted	Year of first becoming our subcontractor	Credit term	Subcontracting charges incurred and % of total cost of sales	
						HK\$'000	%
1	Subcontractor A	A limited liability company incorporated in Hong Kong	Coring of completed bored pile	2009	60 days	1,933	3.1
2	Subcontractor B	A limited liability company incorporated in Hong Kong	Transportation	2008	30 days	1,744	2.8
3	Subcontractor C	A limited liability company incorporated in Hong Kong	Transportation and warehousing	2012	90 days	1,429	2.3
4	Subcontractor D	A sole proprietorship registered in Hong Kong	Transportation of soil	2010	30 days	1,227	2.0
5	Subcontractor E	A limited liability company incorporated in Hong Kong	Reinforcement fixing	2012	30 days after certification of works done	755	1.2
Five largest subcontractors combined						<u>7,088</u>	<u>11.4</u>
All other subcontractors						<u>767</u>	<u>1.2</u>
Total cost of sales						<u><u>62,096</u></u>	<u><u>100.0</u></u>

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For the year ended 31 March 2017

Rank	Subcontractor	Background of subcontractor	Type of works subcontracted	Year of first becoming our subcontractor	Credit term	Subcontracting charges incurred and % of total cost of sales	
						HK\$'000	%
1	Subcontractor E	A limited liability company incorporated in Hong Kong	Reinforcement fixing	2012	30 days after certification of works done	5,891	6.1
2	Subcontractor C	A limited liability company incorporated in Hong Kong	Transportation and warehousing	2012	90 days	3,941	4.1
3	Subcontractor A	A limited liability company incorporated in Hong Kong	Coring of completed bored pile	2009	60 days	2,400	2.5
4	Subcontractor B	A limited liability company incorporated in Hong Kong	Transportation	2008	30 days	1,800	1.9
5	Subcontractor F	A limited liability company incorporated in Hong Kong	Mini-piling	2016	30 days after certification of works done	872	0.9
Five largest subcontractors combined						<u>14,904</u>	<u>15.5</u>
All other subcontractors						<u>6,097</u>	<u>6.3</u>
Total cost of sales						<u><u>96,363</u></u>	<u><u>100.0</u></u>

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

Basis of selecting subcontractors

We maintain an internal list of approved subcontractors which we will review and update on a periodical basis. As at the Latest Practicable Date, there were a total of 18 approved subcontractors on that list. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, fee quotations, service quality, track records, labour resources, timeliness of delivery, reputation and safety performance. We will review and update our internal list of subcontractors according to our assessment of their performance on a continuous basis.

Key terms of subcontracting engagement

As our customers engage us on a project-by-project basis, we do not enter into any long-term contract with our subcontractors. We enter into written agreement (generally with a term of engagement mirroring with the terms of the contract with our customer) with our subcontractors governing the general terms of subcontracting arrangement. There is no contractual arrangement between our Group and the subcontractors requiring them to indemnify our Group for the liabilities arising from our customers or the employees of the subcontractors. Nevertheless, we will reserve our rights and take appropriate actions against the subcontractors if necessary to recover any loss. The following summarise the common key terms of engagement with our subcontractors:

Scope of works and specification	:	The scope and specification of the works as we subcontract to our subcontractor.
Variations	:	The variations are usually valued by referencing to the rates and prices in the bills of quantities, if applicable.
Subcontracting fee	:	The subcontracting fee that is charged by our subcontractor for the scope of work. Similar to our contracts with our customers, the value of work of our Subcontractors are usually subject to measurement with respect to the unit rate quoted.
Payment term	:	Payment is settled once a month according to the value of works performed in the previous month.
Defects liability period and retention money	:	Since the trades we subcontract out are generally not subject to making good of defects, we consider it appropriate not to keep any retention money from our subcontractors to maintain better relationship.
Contract period	:	The expected project commencement date and completion date.

Control over subcontractors

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

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

INVENTORY

Our Group does not maintain inventories during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis. For the temporary steel casings used in the construction of bored piles, owing to their durability with an average life of a few years if not being cut into shorter length, they are classified as casing equipment in non-current assets in our consolidated statements of financial position.

MACHINERY

We rely on the use of machinery to enable us to carry out bored piling works and other foundation works. Therefore, we possess a broad range of machinery. Although for accounting purposes new machinery and used machinery are depreciated for 8 years and 5 years, respectively, our Directors believe that the actual useful lives of these machinery last significantly longer in practice and used machinery are considered to be more economical. We mainly acquired new machinery of reputable brands from authorised dealers or used machinery directly from machinery vendors. Most of the machinery for the construction of bored piles are made in Japan, Republic of Korea or Australia. Our Directors believe that our investment in machinery will enable us to cater to projects of larger scale and higher complexity in the future. It is our long term plan to acquire more new machinery to enhance our work capacity, improve the efficiency of work and stabilize the cost of our servicing and maintenance team.

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For the years ended 31 March 2016 and 2017, we acquired new machinery and equipment in the amount of approximately HK\$21,679,000 and HK\$17,039,000, respectively. As at 31 March 2017, our machinery and equipment carried a net book value of approximately HK\$61,739,000. Set out below are the cost of acquisition of machinery and equipment by different age groups as at 31 March 2017:

<u>Age group</u>	<u>Cost of acquisition of machinery and equipment as at 31 March 2017</u>	<u>Net book value of machinery and equipment as at 31 March 2017</u>
	HK\$'000	HK\$'000
Less than 1 year	17,038	16,054
1 year to less than 2 years	18,718	13,331
2 years to less than 3 years	29,868	19,524
3 years to less than 4 years	15,765	6,172
4 years to less than 5 years	12,439	4,130
Over 5 years	<u>6,527</u>	<u>2,528</u>
	<u>100,355</u>	<u>61,739</u>

Set out below are principal types of machinery used by our Group:

(i) Excavator

An excavator is a heavy construction equipment consisting of a boom, arm, bucket and cab on an upperstructure which could rotate. The upperstructure sits on an undercarriage with tracks or wheels. The excavator handles the materials arising from the drilling of bore holes.

(ii) Crawler crane

A crawler crane is a crane mounted on an undercarriage with a set of tracks (also called crawlers).

(iii) Oscillator

An oscillator is an machine which clamps and oscillates to drive the temporary steel casing down into the soil in the case of boring and extract the temporary casing when the bored pile is being concreted.

(iv) Air compressor

An air compressor is a device that forces air into a chamber and compresses the air to provide high-pressure air to power RCD rigs.

(v) RCD rig

RCD rig operates on the top of the temporary steel casing for drilling on bedrock. The RCD rig consists of drill rods through which compressed air is injected down for utilising the drill bits at the bottom of the hole.

As at the Latest Practicable Date, we owned one excavator, six crawler cranes, five oscillators, one air compressor and five RCD rigs, with the average age of approximately 6.5 years, 3.2 years, 2.7 years, 2.1 years and 3.1 years, respectively. For the bored piling project in Macau, we arranged transportation of the required machinery to Macau. As at the Latest Practicable Date, one excavator, one crawler crane, one air compressor and one RCD rig are located in Macau.

Rental income from lease of machinery

Since our machinery are being highly utilised throughout the Track Record Period, generally we did not lease our machinery to third parties unless the lessors have specific reasons which our Directors approve. During the Track Record Period, our rental income arising from the rental of machinery amounted to approximately HK\$1,306,000 and HK\$nil for the years ended 31 March 2016 and 2017, respectively, which our Directors consider insignificant to the overall turnover of our Group.

Repair and maintenance and replacement

During the Track Record Period, when our machinery was out-of-order, it was either (i) sent to the authorised dealer for repairs if the machinery was still under warranty; (ii) sent to other third party repair companies; or (iii) sent to our warehouse where we maintain a team of technicians for servicing.

At times during the project, parts of our machinery may be worn out and our plant operators and technicians can repair the machinery or replace the parts. As at 31 March 2017, the weighted average age of our machinery and equipment based on the cost of acquisition is approximately 2.6 years. As at 31 March 2017, the weighted average remaining useful life of our machinery and equipment based on accounting estimation is approximately 3.9 years. We replaced aged machinery only when the replacement is the economical option.

For our accounting purposes, our Group depreciates machinery using a straight-line method over a period of 5 years for second hand machinery and 8 years for machinery acquired brand-new.

Safekeeping of machinery

For a construction project, machinery are parked at the construction site during the project period, while idling machinery are stored in our warehouse located in Ping Che in the New Territories, which are equipped with locked gates and closed-circuit television security cameras. We also have security guards on duty at these locations.

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Financing arrangements for the purchase of machinery

Taking into account our liquidity position and capital need, our Group may raise external funds from banks, financial institutions or other third parties for the purchase of machinery, which would normally be under finance lease arrangements. During the Track Record Period, our Group entered into ten such finance lease arrangements and as at 31 March 2017, finance lease obligations of our Group amounted to approximately HK\$2,310,000. For the details of the finance lease arrangements, please refer to the section headed “Financial Information — Indebtedness” in this prospectus.

Service capacity and utilisation rate

We maintain an internal record of the usage of our major types of machinery including the duration and the project for which the machinery is occupied. Based on such record, the following table sets out the average age as at the Latest Practicable Date and the utilisation rate of our major types of machinery, respectively during the Track Record Period and up to the Latest Practicable Date (which is calculated as the total number of days for which our major types of machinery were occupied at our work sites in a financial year or period, divided by the total number of days in that financial year or period):

	Average age as at the Latest Practicable Date	Estimated average remaining useful life as at the Latest Practicable Date	For the year ended 31 March 2016	For the year ended 31 March 2017	From 1 April 2017 to the Latest Practicable Date
Excavator	6.5 years	4.1 years	95.1%	51.5%	100.0%
Crawler crane	3.2 years	4.4 years	71.8%	91.0%	89.0%
Oscillator	2.7 years	6.5 years	50.4%	84.7%	74.1%
Air compressor	2.1 years	2.1 years	50.5%	69.6%	100.0%
RCD rig	3.1 years	6.1 years	47.7%	89.7%	90.7%

As we have undertaken increasing number of projects for the year ended 31 March 2017, overall utilisation rate of our machinery increased.

It should be noted, however, that our Directors consider that the calculation of the utilisation rate based solely on the amount of occupied and idle time of the machinery may not be an accurate indicator of the level of utilisation of our overall service capacity because:

- (i) a foundation project requires the use of different types of machinery, and as such, having certain types of machinery that are idle (i.e. having a utilisation rate of lower than 100% based on the calculation method mentioned above) does not necessarily mean that we

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have available service capacity for undertaking additional projects if the projects require the use of one of the aforesaid major type of machinery which has already been fully occupied in other projects.

- (ii) we may rent certain machinery from third parties instead of mobilising our own machinery for a foundation project. Machinery under rental are not considered for the utilisation rate calculation but leasing in effect enlarges our service capacity;
- (iii) the utilisation rate cannot be accurately determined. A foundation project requires the use of a broad range of machinery at different stages, and some machinery from time to time are left unused at active construction sites pending completion of other construction steps and/or may sometimes left unused for the repair and maintenance at construction sites. As such, the utilisation rate of each individual machine cannot be accurately determined as it is not practicable to record the time at which a particular machinery is used or left unused at an active construction site; and
- (iv) the foundation projects undertaken by us involved a number of different construction steps and procedures which require the use of various types of machinery and it is therefore not entirely feasible to quantify the service capacity of each piece of machinery by reference to any objective and comparable scale or standard of measurement.

Possible impact of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the “NRMM Regulation”) and the Technical Circular

The NRMM 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 compressor. On 8 February 2015, the Works Branch of Development Bureau issued the 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 four types of exempted NRMMs, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public work, including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015. For further details of the NRMM requirements and the Technical Circular, please refer to the section headed “Regulatory Overview — B. Laws and regulations in relation to environmental protection” in this prospectus. As at the Latest Practicable Date, our Group has obtained approval or exemption for all of our machines that are subject to the NRMM Regulation (the “**Regulated Machines**”), of which approximately 46% were approved NRMMs and the remaining 54% were exempted NRMMs.

Our Directors confirm that none of the public projects which we participate as at the Latest Practicable Date was subject to the phase out plan as detailed in the Technical Circular. Our Directors are of the view that the implementation of the NRMM Regulation and the exempted NRMM phase out plan as detailed in the Technical Circular has no significant impact or adverse effect on our Group’s operation and financial results.

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To the best knowledge of our Directors and upon their reasonable enquiry, in general, it is not expected that there will be any material price difference in respect of the costs of the NRMMs with similar specifications, but with different emission standards, whether approved or exempted, despite the launch of the NRMM Regulation for our plan to expand our capacity as stated in the section headed “Business Objective and Use of Proceeds” in this section, we will only acquire approved NRMMs, such that the proportion of our approved NRMMs will increase.

QUALITY ASSURANCE

Quality control on projects

Triangular Force obtained the ISO 9001:2008 certification in 2016 certifying its quality management system to be in accordance with the requirements of the ISO 9001:2008 standards.

Our business is operated under a set of procedures that conform to the ISO 9001:2008 quality management standards. Our procedures specify, among other things, specific work procedures for performing site works as well as management process, resource allocation, execution of services, communication with customers, procurement of suppliers, surveying and testing and other operation procedures in order to ensure our work quality. Our workers as well as our subcontractors are required to follow such procedures.

In terms of project quality control, we designated Mr. Au-Yeung Chi Kong, our general manager and project manager, to oversee the overall project management, customer satisfaction and different processes throughout a project. For biographical details of Mr. Au-Yeung Chi Kong, please refer to the section headed “Directors and Senior Management” of this prospectus.

Quality control on materials

To the extent we are able to purchase our own materials, we generally purchase construction materials from our suppliers who have good business relationship with us and have a satisfactory past record of delivering materials with up to standard quality.

When the construction materials are delivered on site, including materials ordered by our main contractor such as concrete and steel reinforcement, we have standard procedure for inspection, including the examination of the source of material and any certificates, assignment of designated personnel for the receipt of materials, careful storage (if applicable) of materials against the impact of adverse weather and regular counting of remaining materials on site.

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

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and work safety measures

We emphasise strongly on occupational health and work safety during the delivery of our services not only to uphold our value on corporate social responsibility and maintain our reputation, but also not to put our employees, subcontractors, the other parties in the construction site as well as the general public in situation that threatens their health and safety. We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulations. Due to the inherent nature of works in construction sites which very often involves working at height and usage of mechanical equipment and machinery, construction workers are constantly subjected to risks of accidents or injuries. To mitigate such risks, we have established safety plans and in-house rules to provide our employees and our subcontractors' employees with a safe and healthy working environment by specifying various safety measures. With effect from November 2016, our occupational health and safety management system has been accredited with OHSAS18001:2007 standard.

System of recording and handling accidents and our safety compliance record

In Hong Kong, if an accident occurs, the injured worker (including our employees and our subcontractor's employees) or the person who witnessed the accident is required to report to our site staff or safety officer. Our safety officer will then investigate the accident by taking photos in respect of the accident scene, examine the equipment or material involved and take statements from the injured worker, witness of the accident and other relevant personnel. In Hong Kong, if the accident is a "reportable accident", which is a workplace accident that is required to be reported to the Labour Department as assessed by our project manager, he will prepare an accident report and submit it to our project manager for review and then submit it to the main contractor of the project and the Labour Department within the period as specified under the relevant laws and regulations. For any accident that results in total or partial incapacity of an employee, the accident should be reported to the Labour Department in writing within 14 days after the date of the accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident.

For projects in Macau, we also have a system in place to record and handle injuries related to work. Our safety supervisor will liaise with the injured and our customer who takes on industrial accident insurance. An accident report with details of the cause of injury, venue and time will be filed to our Directors as well as the relevant government department in accordance with the relevant laws and regulations.

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

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

	Construction industry in Hong Kong <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
	From 1 January to 31 December 2016	For the year ended 31 March 2017
Industrial accident rate per 1,000 workers in construction industry	34.5	16.5
Industrial fatality rate per 1,000 workers in construction industry	0.093	—

Notes:

- (1) The statistics are obtained from the Occupational Safety and Health Statistics Bulletin Issue No. 17 (August 2017) published by the Occupational Safety and Health Branch of the Labour Department, which is the latest issue as at the Latest Practicable Date.
- (2) Our accident rate is calculated as the number of reportable accidents during the financial year (i.e. 1 for the year ended 31 March 2017) divided by the average number of thousand direct labour employed by us (including employees of our subcontractors) during the financial year.

For the year ended 31 March 2017, as there was only one reportable accident, our accident rate was lower than the industrial accident rate.

The following table sets out our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

Period	LTIFR(s) <i>(Notes)</i>
For the year ended 31 March 2016	—
For the year ended 31 March 2017	13.8

Notes:

- (1) LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the number of working hours of each worker is 10 hours per day. The number of working days for the financial years ended 31 March 2016 and 2017 was approximately 302 days and 292 days, respectively.
- (2) Employees of our Group and our subcontractors are included in the LTIFRs shown above.

ENVIRONMENTAL PROTECTION

Our Group's operations at the construction sites are subject to a number of environmental rules and regulations in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal during the Track Record Period. For details, please refer to the section "Regulatory Overview" in this prospectus.

We are dedicated to minimise the adverse impact on the environment caused by the construction activities undertaken by us. In order to comply with the applicable environmental protection laws, we have work procedures to govern environmental protection matters. For the years ended 31 March 2016 and 2017, we incurred approximately HK\$1,260,000 and HK\$1,677,000, mainly for the treatment of wastewater and excavated materials for environmental protection regulatory compliance. Our Group estimates that the annual cost of compliance going forward will be at a level similar to that was incurred during the Track Record Period and consistent with our scale of operation.

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

INSURANCE

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

Pursuant to section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law.

Where a main contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As a subcontractor, our Group's liability in respect of the claims from employees of our Group and our Group's subcontractors arising out of and in the course of the project works will be covered by the insurance policy taken out by the main contractor.

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

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construction site. During the Track Record Period, our Group maintained insurance coverage against (i) liability for third-party bodily injury occurring in our office premises; and (ii) third-party liability in relation to the use of our vehicles.

For the ongoing projects which we will undertake as a main contractor, we will take out relevant contractors' all risks and employees' compensation insurances to protect the relevant employees.

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

Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For the years ended 31 March 2016 and 2017, our insurance expenses amounted to approximately HK\$345,000 and HK\$701,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

MARKET AND COMPETITION

According to the Ipsos Report, the foundation subcontracting industry in Hong Kong has increased from 313 subcontractors in 2015 to about 323 foundation subcontractors in 2016. Compared to the foundation contracting industry, the foundation subcontracting industry in Hong Kong is less consolidated. The top 5 players in the foundation subcontracting industry in Hong Kong contributed about 11.0% of the total revenue of the foundation contracting industry in Hong Kong in 2016.

Our Directors consider that our Group's niche in the foundation contracting industry rests on build-only bored piling and that our Group's major business does not compete directly with other foundation subcontractors which are specialised in other piling types, although they may be classified as foundation subcontractors. According to the Ipsos Report, substantial amount of initial capital forms one of the entry barriers of the foundation industry. Besides owning the specific bored piling machinery and equipment, knowledge of and experience in operating these machinery and equipment are crucial for projects involving bored piles to ensure workmanship and material quality, especially for bored piles of great depth. During the Track Record Period and up to the Latest Practicable Date. Our largest project on hand has a contract sum of approximately HK\$41.7 million, and the largest project completed during the Track Record Period had an initial contract sum of approximately HK\$27.9 million. In addition, the aggregate revenue recognised from projects associated with the Ten Major Infrastructure Projects for the two years ended 31 March 2015 and 2016 was approximately HK\$20,694,000 and HK\$33,410,000, or 24.1% and 28.9% of total revenue. Therefore, our Directors are of the view that the increase or decrease in large-scale construction projects in the future would not have a direct bearing on our Group's operations as our services can be required in different scales of construction projects and we are not particularly susceptible to decrease in large-scale construction projects. Given our technical expertise, extensive

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experience, possession of a large fleet of machinery and equipment and strong track record in bored piling, we believe we are well-positioned to capture market opportunities in the foundation industry.

In February 2017 and April 2017, Triangular Force was registered as Registered Specialist Contractor in the categories of foundation and site formation works, respectively, with the Buildings Department and since then has been qualified to carry out foundation works and site formation works in the private sector as a main contractor in Hong Kong. The lack of main contracting job references may pose a disadvantage for our Group to tender for a main contract but our Directors believe that our pragmatic and proactive manner would enable our Group to overcome the challenges in this area. Looking forward, the Listing together with our business strategies as discussed in the paragraph headed “Business strategies and future plans” in this section and the section headed “Business Objective and Use of Proceeds” in this prospectus are believed to enhance our competitiveness.

PROPERTY INTERESTS

Leased properties

As at the Latest Practicable Date, our Group does not own any property. The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

<u>Address</u>	<u>Monthly rental expenses</u>	<u>Use of the property</u>	<u>Duration of the lease</u>
Unit 1503, 15th Floor, Peninsula Square, 18 Sung On Street, Hunghom, Kowloon	HK\$35,000	Headquarters	From 20 July 2016 to 19 July 2019
Lot No. 1345 In D.D.82, North New Territories	HK\$150,000	Warehouse	From 1 March 2017 to 4 December 2018

INTELLECTUAL PROPERTIES

During the Track Record Period and up to the Latest Practicable Date, our Group does not own any material intellectual properties which are material to our business operations. For details of our domain names, please refer to Appendix IV to this prospectus.

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

LICENSES, PERMITS AND REGISTRATION

As confirmed by our Directors, up to the Latest Practicable Date, our Group has obtained all material licences, permits and registrations required for carrying on our business activities. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to conditional renewal or failed to renew our registrations with the Buildings Department and Construction Industry Council. Set out below is a summary of our material licences, permits and registrations that we have obtained:

1. Registered specialist contractor (under the sub-register of foundation works and site formation works categories)

For private sector projects controlled under the Buildings Ordinance, the project's owner is required to appoint a general building contractor or Registered Specialist Contractor to carry out specialised contract works such as foundation and site formation works depending on the specification of works. The duties of a Registered Specialist Contractor, pursuant to section 9(6) of the Buildings Ordinance are to (a) provide continuous supervision to the carrying out of the works in accordance with his supervision plan; (b) notify the Building Authority of any contravention of the regulations that would result from carrying out the works shown in the plan approved by the Building Authority for the works; and (c) comply generally with the Buildings Ordinance. For public sector projects, contractors responsible for land piling works are required to be listed under the Works Branch of the Development Bureau, and with the Buildings Department as registered specialist contractors under the foundation works. For site formation works, the responsible contractor is required to be an approved contractor for public works under the Development Bureau only. However, as long as a contractor to the project holds all the required registrations in public project, other subcontractors are not required to hold the same registrations as that of the registered contractor in such public project. During the Track Record Period and up to the Latest Practicable Date, we were not on the list of approved contractors for public works maintained by the Development Bureau or the Building Authority's Registered Specialist Contractor under categories of foundation works and formation works until 24 February 2017 and 27 April 2017, respectively. Therefore, for construction projects undertaken by us which required the abovementioned qualifications, we relied on the registered contractor to the respective projects holding the relevant qualifications. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, all projects undertaken by our Group during the Track Record Period had at least one contractor registered with the Buildings Department. On this basis, our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with the Buildings Department and be listed under the Works Branch of the Development Bureau during the Track Record Period.

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The following table summarises the details of the registrations held by our Group as at the Latest Practicable Date:

<u>Registration</u>	<u>Granted by</u>	<u>Granted to</u>	<u>Date of first registration</u>	<u>Date of upcoming expiry</u>
Registered Specialist Contractor — Foundation works	Buildings Department	Triangular Force Construction Engineering Limited	24 February 2017	9 February 2020
Registered Specialist Contractor — Site formation works	Buildings Department	Triangular Force Construction Engineering Limited	27 April 2017	7 April 2020

In order for Triangular Force to apply for and maintain the above-mentioned registrations, Triangular Force must, pursuant to the Buildings Ordinance and the Practice Note for Registered Contractors No. 38 issued by the Buildings Departments (“**Practice Note 38**”) satisfy the Building Authority on various aspects including, *inter alia*, adequacy of its management structure and the experience and qualifications of its personnel. Our Directors confirm that up to the Latest Practicable Date, we had satisfied all such requirements for applying for and maintaining the above-mentioned registrations.

In particular, one of the requirements is that Triangular Force must have a minimum of 1 “authorised signatory” to act for it for the purpose of the Buildings Ordinance and 1 “technical director”, who shall, among other things, provide technical support for the execution of works and ensure that the works are carried out in accordance with the Buildings Ordinance. As at the Latest Practicable Date, our Group has maintained Mr. Lau Jeff Tak Wai, who is a director of Triangular Force, as the required personnel for both the roles of authorised signatory and technical director in respect of the above-mentioned registrations.

Pursuant to the service agreement made between our Group and Mr. Lau Jeff Tak Wai, at least three prior months’ notice has to be given by either party to terminate his office as our technical director and authorised signatory in respect of the registrations of the Registered Specialist Contractor with the Buildings Department. Our Directors believe that on one hand we have offered attractive remuneration and fringe benefits package to Mr. Lau Jeff Tak Wai, on the other hand, our Group would have sufficient time to recruit a new technical director and authorised signatory for the Registered Specialist Contractor registrations in place of Mr. Lau Jeff Tak Wai before his departure after the said notice period has commenced. In addition, in the course of our business development when we would be awarded a few projects as the main contractor, we will identify qualified candidate to increase our number of authorised signatories and technical directors to reduce the reliance of the existing authorised signatory and technical director as taken up by Mr. Lau Jeff Tak Wai. Our existing main contract which requires our status as Registered Specialist Contract is expected to complete in January 2018, given that no notice period has been served to terminate Mr. Lau Jeff Tak Wei’s

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office as at the Latest Practicable Date and our Directors are of the view that there will be no material difficulty in retaining or identifying and recruiting qualified person from the job market within a reasonable period with prevailing market remuneration package, the risks of suspension of our works due to the absence of technical director or authorised signatory pursuant to Practice Note 38 are considered by our Directors to be remote.

While we are appointed by our customer to act as a Registered Specialist Contractor and we fail to properly supervise the execution of site works, we and our authorised signatory and/or technical director may be subject to prosecution or disciplinary action, details of which are set out in the section headed “Regulatory Overview — C. Law and regulations in relation to contractor licensing — Regulatory actions under the Buildings Ordinance” in this prospectus. As confirmed by our Directors, we did not experience any such incidents during the Track Record Period and up to the Latest Practicable Date. To safeguard against such contravention, we have developed and implemented procedures for operating our business as discussed in the paragraph headed “Risk management and internal control systems” below.

Renewal of the above-mentioned registration is required every three years and to our Directors’ best knowledge, the renewal application process generally takes around four weeks to be completed. Pursuant to section 8C(5) of the Buildings Ordinance, the Building Authority may refuse an application for renewal of registration if (a) he is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or (b) the applicant fails to provide relevant information and documentary proof required by the Building Authority including, but not limited to, updated information on matters supplied on previous applications for registration or renewal of registration. According to the Practice Note for Registered Contractors No. 38 issued by the Buildings Department, in considering an application for renewal of registration, the Building Authority may take into account, among other factors, whether the applicant is inactive in the relevant works and whether the applicant has any conviction, disciplinary or suspension records in respect of labour safety offences, malpractice or misconduct in building works or construction related activities, provisions under the Buildings Ordinance, etc.

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2. Subcontractor Registration Scheme

It is a general practice for many of our customers that they will prefer or only engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council. In view of this, we have completed the following registrations:

<u>Registration</u>	<u>Granted by</u>	<u>Granted to</u>	<u>Date of first registration</u>	<u>Date of upcoming expiry</u>
Subcontractor Registration Scheme — Bored Pile	Construction Industry Council	Triangular Force Construction Engineering Limited	7 November 2011	6 November 2017 ^(Note)
Subcontractor Registration Scheme — Bored Pile	Construction Industry Council	TMP Machinery Engineering Limited	23 January 2017	22 January 2019

Note: Our Group has submitted the relevant documents for the renewal of the existing registration under the Subcontractor Registration Scheme in September 2017 in view of the upcoming expiry in November 2017.

The Subcontractor Registration Scheme was introduced by the Construction Industry Council for the purpose of building up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. The registration and renewal of which are subject to satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant work types. There is no requirement for the role of authorised signatory and technical director for the registrations of our Group under the Subcontractor Registration Scheme. 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 the registration. Renewal is required every two years and to our Directors' best knowledge, the renewal application process generally takes around six weeks to be completed. Triangular Force had successfully renewed our registration since we obtained our first registration.

3. Registered contractor with the Land, Public Works and Transport Bureau of Macau

For public sector projects in Macau, contractors responsible for the foundation and site formation works are required to be listed under the Land, Public Works and Transport Bureau. However, as long as a contractor to the project holds all the required registrations in public project, other subcontractors are not required to hold the same registrations as that of the registered contractor in such public project. During the Track Record Period and up to the Latest Practicable Date, we were not on the list of approved contractors maintained by the Land, Public Works and Transport Bureau. Therefore, for construction projects undertaken by us which required the abovementioned qualifications, we relied on the registered contractor to the projects holding the relevant qualifications. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, the project undertaken by our Group in

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Macau during the Track Record Period had at least one contractor registered with the Land, Public Works and Transport Bureau. On this basis, our Directors are of the view that our Group was not required in its capacity as a subcontractor to hold any registration as a contractor with the Land, Public Works and Transport Bureau during the Track Record Period.

Please also refer to the sections headed “Regulatory Overview — Hong Kong laws — C. Laws and regulations in relation to contractor registration” and “Regulatory Overview — Macau laws — A. Laws and regulations in relation to construction and foundation works and safety — 1. General Construction Works Regulation” in this prospectus for details of the related license and registration requirements in Hong Kong and Macau, respectively.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

EMPLOYEES AND MANAGEMENT

As at the Latest Practicable Date, we had 67 full-time employees who were directly employed by our Group. A breakdown of our employees by function as at the dates as indicated is set out in the table below:

	As at 1 April 2015	As at 31 March 2016	As at 31 March 2017	As at the Latest Practicable Date
Directors	2	2	2	2
Administration and accounting	3	5	11	8
Project management and execution	3	7	8	10
Machinery operators	17	21	17	11
Plant and machinery maintenance	1	5	4	4
Direct labours	<u>21</u>	<u>34</u>	<u>38</u>	<u>32</u>
Total	<u>47</u>	<u>74</u>	<u>80</u>	<u>67</u>

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We generally recruit our staff through recruitment websites and recognised construction manpower training scheme. We also hire skilled workers from our staff referrals. We believe that the relationship and co-operation between our management and employees have been good and we expect that such relationship and co-operation will stay amicable going forward. 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 experienced core staff or skilled personnel during the Track Record Period.

For the year ended 31 March 2017 and up to the Latest Practicable Date, headcounts in our administration and accounting department increased significantly to provide administrative support, perform clerical duties, maintain accounting records and book keeping of our Group as well as handling payables and receivables for our construction projects. Our Group also assigned administration staff to the warehouse for administration works.

For our Group's ongoing bored piling project in Macau, our Group entered into arrangements with 18 project staff to suspend their duties without pay and these staff were directly employed by the customer which is responsible for application of their work permits in Macau. Our Group has no employment relationship with these staff in Macau. These staff perform our Group's duties and our customer charges our Group for the use of the staff based on agreed rates and time spent. The Macau customer is responsible for paying the staff's wages and social security contribution in Macau, as well as their professional tax registration and withholding of professional tax payment.

We are advised by our Macau legal advisers that the issuance of work permits works on a quota based system, whereby the Labour Affairs Bureau in Macau, upon analysing the labour market condition and relevant administrative rules, may grant a quota of non-resident workers to the applicant, which will then determine how many non-resident workers of different trades. Regarding construction projects in Macau, as a standard construction practice in Macau, the subcontractor(s) would choose and indicate suitable non-resident candidates who would be hired by the main contractor under the quota of work permits applied by main contractor. Having considered the suitability of those non-resident candidates and obtained the work permits quota, the main contractor would hire suitable candidates for the project by entering into a written labour contract with each of such candidates. A work permit is granted with an expiry date decided by the Labour Affairs Bureau. A non-resident worker is only allowed to perform work on the location(s) as stated in the work permit granted by the Labour Affairs Bureau. For details of the labour laws in Macau, please refer to paragraph head "Regulatory Overview — Macau laws — C. Laws and regulations in relation to labour, health and safety" in this prospectus.

Regarding our project in Macau, having considered the Macau customer's obligations to comply with the relevant labour laws, we agreed that the abovementioned 18 project staff which are Macau non-residents would be directly employed by the Macau customer to perform our duties in the Macau project and the Macau customer would apply for the work permits and assume all employer's duties for those 18 project staff. The Macau customer charges us for the use of its staff for performing our duties under such project. The fee chargeable to our Group is based on the agreed rates and time spent. Under such staffing arrangement, the Macau customer is both the

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applicant for work permits and the legal employer of those staff. In other words, the work permits are granted to the Macau customer rather than our Group, and there is no employment relationship between the Group and those 18 project staff in Macau. Therefore, the responsible entity for the workers' professional tax registration and withholding of professional tax payment is also borne by the Macau customer but not our Group. Our Directors confirm that such staffing arrangement is commonly adopted between main contractors and subcontractors in Macau, as it allows a large amount of flexibility for both parties that the main contractor is able to ensure timely application of work permit quota for the whole work at an early stage of the project, while the subcontractor is able to complete its contracted works in an efficient and timely manner without the need to go through the process of applying for work permits in Macau.

Our Macau legal advisers are of the view that the abovementioned staffing arrangement complies with all applicable laws and regulations in Macau and there is no tax exposure or regulatory incompliance risk to our Group in relation complies with all applicable laws and regulations to the Macau project under such staffing arrangement. We have engaged an external and independent project consultant in Macau for supervising the Macau project, seeking instructions from and reporting to our Directors. These staff will return to our Group upon completion of the bored piling project in Macau. Our Group does not have any direct employee working in Macau as at the Latest Practicable Date. Mr. Lau Jeff Tak Wai, our general manager, has submitted application to the relevant authority in Macau for a work permit in order to cope with our potential business opportunities in Macau.

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

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance with all the applicable employment laws, rules and regulations in Hong Kong. There was no labour union established by our employees as at the Latest Practicable Date.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

Legal proceedings

During the Track Record Period and as at the Latest Practicable Date, our Group has been involved in a number of claims and litigations and is subject to potential claims. Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, none of our Group members was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

Set out below are the details of (i) potential litigations in relation to employees' compensation and common law personal injury claims against our Group as at the Latest Practicable Date; (ii) employees' compensation and common law personal injury claims against our Group settled or withdrawn during the Track Record Period and up to the Latest Practicable Date; and (iii) non-compliance of our Group during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the construction industry and these potential and settled/withdrawn claims have no material impact on us.

Potential litigations in relation to employees' compensation and personal injury claims against our Group as at the Latest Practicable Date

Our Group's liabilities in the event of personal injuries to our and our subcontractors' employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which entitles employees to claim compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of his/her employment; or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other tortious act or omission. For some of the potential claims, even if the relevant employees' compensation litigations had been settled, the injured employees may still pursue litigation claims through personal injury claims against us under common law system. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance in any event.

During the Track Record Period and up to the Latest Practicable Date, there were 4 work injury cases arising during usual and ordinary course of our business out of which (i) 3 employees' compensation claims against our Group have been settled but as the limitation period for common law personal injury claim (which is generally three years from the date of the relevant incidents) has not lapsed, it is still possible for the injured persons to commence common law personal injury court proceeding against our Group; and (ii) 1 work injury case to which the injured person who may but has not yet filed any claims or commenced legal proceedings against our Group. These potential claims are within the limitation period of two years (for employees' compensation claims)

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or three years (for common law personal injury claims) from the date of the relevant incidents. As such court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claims and outstanding claims. These injury incidents were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or adverse impact on our Group to obtain any licences or permits for our operation. Our Directors take the view that the potential amount to be borne by our Group in such injury incidents shall be covered by the relevant insurance policies as such injury incidents have been reported to the relevant main contractors and our Group's entire conduct of its defence against such claims, if any, in the future will be taken up by the relevant insurers. Please see below for a summary of the expiry of limitation period of the aforesaid work injury cases:

<u>Year</u>	<u>Number of employees' Compensation claims which limitation period will expire</u>	<u>Number of personal injury claims which limitation period will expire</u>
2017	0	2
2018	1	0
2019	0	1
2020	0	1
	<u>1</u>	<u>4</u>

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Employees' compensation and common law personal injury claims against our Group settled or withdrawn during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, the following claims against our Group were settled, which were covered by insurance policies, or withdrawn from our Group.

<u>Names of our Group companies</u>	<u>Particulars of the claims</u>	<u>Date of settlement/ withdrawal of claims</u>
<i>Employees' compensation claims</i>		
1. TMP Machinery	On 20 November 2014, it was purported that the injured person sustained back injury whilst detaching a sling but slipped.	The claim was settled on 11 January 2017
2. TMP Machinery	On 19 December 2014, it was purported that the injured person sustained eye injury whilst striking metal by hammer.	The claim was settled on 30 June 2016
3. Triangular Force	On 22 March 2017, it was purported that the injured person sustained left foot injury whilst moving acetylene cylinder.	The claim was withdrawn on 10 April 2017
<i>Common law personal injury claim</i>		
1. TMP Machinery	On 26 November 2010, it was purported that the injured person sustained left knee injury whilst being assaulted by an employee of another subcontractor.	The claim was settled on 4 February 2016

Non-compliance

Our Directors confirmed that save as disclosed below, we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

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Non-compliance with Inland Revenue Ordinance

Set out below are non-compliances of our Group with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”):

Particulars of the non-compliance	: Triangular Force Triangular Force failed to furnish profits tax returns for the years of assessment 2011/12 to 2014/15 within the prescribed time limit under section 51(1) of the IRO.
	TMP Machinery TMP Machinery failed to furnish profits tax return for the year of assessment 2010/11 within the prescribed time limit under section 51(1) of the IRO.
	Longson Enterprise Longson Enterprise failed to furnish profits tax return for the year of assessment 2014/15 within the prescribed time limit under section 51(1) of the IRO.
Reasons for the non-compliance	: As confirmed by our Directors, Triangular Force, TMP Machinery and Longson Enterprise had been relying on our then internal accountant for the preparation of their filings of the profits tax returns with the Inland Revenue Department (the “ IRD ”), who had delayed the filing of the respective profits tax returns due to oversight and misconception. Our Directors had no direct or wilful involvement in the said non-compliances.
Remedial actions	: Triangular Force Triangular Force has filed its 2011/12 to 2014/15 profits tax returns with the IRD.

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For late filing of 2011/12 and 2012/13 profits tax returns, Triangular Force had been prosecuted and fined HK\$4,000 and HK\$2,700, respectively. Under the IRO, no additional tax of treble the amount of tax undercharged would be raised by the IRD for these cases of late filing.

For late filing of 2013/14 profits tax return, Triangular Force has paid the tax amount estimated by the IRD, which is not less than the actual tax liability that would have been raised according to the 2013/14 profits tax return filed.

For late filing of 2014/15 profits tax return, Triangular Force has paid additional tax of HK\$204,000 raised by the IRD. Under the IRO, no further additional tax would be raised by the IRD for this case of late filing.

TMP Machinery

TMP Machinery has filed its 2010/11 profits tax return with the IRD.

TMP has paid compound penalty of HK\$1,200 to the IRD for late filing of its 2010/11 profits tax return, pursuant to which no further penal action would be taken against TMP Machinery for this case of late filing thereafter.

Longson Enterprise

Longson Enterprise has filed its 2014/15 profits tax return with the Inland Revenue Department.

Our Group

We have implemented adequate internal control system that, among others, our chief financial officer, Ms. Chu Ka Ying (who has extensive experience in accounting and recognised accounting qualification in Hong Kong), has been appointed by our Group and responsible to ensure that tax returns of our Group are submitted in timely manner and a tax representative for tax filing will be appointed, if necessary.

Potential maximum fine/ penalty : Under the Inland Revenue Ordinance, any person who without reasonable excuse fails to comply with the requirements of a notice given to him under section 51(1) is liable to a maximum fine of HK\$10,000 for each offence and a further fine of treble the amount of tax undercharged in consequences of the failure to comply with the notice under section 51(1).

Longson Enterprise

Regarding Longson Enterprise's late filing of its 2014/15 profits tax return, we are advised by our Legal Counsel that since Longson Enterprise did not have assessable profit for the year of assessment 2014/15, there is no chance of further fine of treble amount of tax undercharged. We are further advised by our Legal Counsel that the chance of prosecution is not high. Even if there is any prosecution, the chance of maximum fine of HK\$10,000 being imposed in also not high since it only involves delay in submitting profits tax return but not any tax evasion.

Each of Triangular Force, TMP Machinery and Longson Enterprise was established by the Controlling Shareholders, Mr. Tang and Mr. Chui. Since around 2011, the management team members of our Group devoted most of their time to development and generation of new businesses and securing new clients, bargaining and sourcing supplies from suppliers and planning and management to ensure a viable business model. As our Group's business scale before 2011 was comparatively small, our management endeavoured to control costs by hiring an internal accountant, who was not a certified public accountant, to take care of, among others, the preparation of our Group companies' filings of governmental statutory forms to the relevant Government departments including profits tax returns and a small team of staff who concentrated their time and effort on business development and project operation for our Group. Although our

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Group received and settled all estimated assessments for Triangular Force from time to time since December 2012, Mr. Tang and Mr. Chui were under the misconception that such assessments were issued as a result of filing the profits tax returns and only realised during the rectification process that the estimated assessments were raised in the absence of the relevant profits tax returns.

Mr. Tang and Mr. Chui were not aware that the respective profits tax returns of our Group companies were not filed to the IRD accordingly until Triangular Force was prosecuted by the IRD in 2015 in relation to failure to furnish its profits tax return for years 2011/12 and 2012/13. It was not until during the rectification process that Mr. Tang and Mr. Chui came to realise that 2013/14 and 2014/15 profits tax returns of Triangular Force, 2010/11 profits tax return of TMP Machinery and 2014/15 profits tax return of Longson Enterprise were also not filed.

Although Triangular Force and TMP Machinery were profitable for the abovementioned years of assessment, due to their unfamiliarity with the requirements of the IRO at that time, Mr. Tang and Mr. Chui mistakenly believed that the estimated assessments received were results of filing of the respective profits tax returns which our Group's then internal accountant failed to do so.

Upon notifying the failure to file the respective profits tax returns of our Group companies, our Group engaged a certified public accountants firm to prepare the relevant financial statements and corresponding profits tax returns of our Group companies. Our Group filed Triangular Force's 2011/12 to 2013/14 profits tax returns in September 2016 and 2014/15 profits tax return in November 2016, TMP Machinery's 2010/11 profits tax return in November 2016, and Longson Enterprise's 2014/15 profits tax return in January 2017.

Mr. Tang and Mr. Chui, each being a Controlling Shareholder, will jointly and severally indemnify and keep our Group indemnified against any penalty and additional tax that may be imposed on Triangular Force and/or Longson Enterprise and/or TMP Machinery for their breach of section 51 of the IRO under the Deed of Indemnity. Details of the Deed of Indemnity are set out in paragraph E1 of the Appendix IV to this prospectus.

As the business of our Group having since grown to a more sizeable scale, our Group has engaged additional staff specifically assigned with the monitoring and handling of tax filings and other administrative filings and registrations required under applicable laws, and reporting periodically to our Group's management, with the aim to avoid a repeat of such incidents.

Since September 2016, we have employed our chief financial officer, Ms. Chu Ka Ying (being a certified public accountant in Hong Kong), who is responsible for our Group's financial planning and management, and corporate governance. Moreover, we adopted certain internal control measures to prevent reoccurrence of late tax filing. Such internal control measures include (i) maintaining a register to record different natures of taxes to be filed, tax filing deadlines, responsible person and status, (ii) tax filing tasks being established as an electronic to-do list items for all staff in our finance department, and (iii) a reminder is set at least one month prior to the tax filing deadline. Our chief financial officer will further send a reminder email to our Group's administration and accounting department for preparation of tax filing in advance, and the respective responsible staff will be responsible for submission of the tax filing documentation to the

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management for approval. Our Directors believe that with the supervision of and coordination by our chief financial officer, the overall control in our internal control systems will be enhanced and the likelihood of late filing of return for profits tax would be minimal in the future.

Our Directors will continue to comply with all regulatory requirements and devote all their attention to the affairs of our Group. To ensure that the various companies incorporated in Hong Kong within our Group are able to file profits tax return with the IRD on time in future, our Group has adopted internal control measures to prevent the recurrence of late tax filing.

Going forward, our Group's audit committee which comprises our three independent non-executive Directors will be responsible for reviewing the financial statements and making advice in respect of financial reporting and overseeing internal control procedures of our Group. This can further enhance the compliance of all regulatory requirements by our Group.

The late filing of tax returns of our Group companies were the result of oversight and misconception only. As it was not the result of commission of any fraud of Mr. Tang and/or Mr. Chui, or schemes designed to evade taxes, our Directors are of the view, and the Sponsor concurs, that the late tax filings did not attribute any question on the character or integrity of Mr. Tang and Mr. Chui as our Directors and would not affect the competence of Mr. Tang and Mr. Chui as our Directors under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sponsor concurs, that the impact of them would be immaterial upon our Group's operation and financial positions.

RISK MANAGEMENT AND INTERNAL CONTROL

Set out in the section headed "Risk Factors — Risks relating to our business" in this prospectus are the risks facing our Group's business and the following describe how our Group intends to mitigate or reduce the major risks.

Operational risks

Labour shortage risk

The labour shortage and ageing problem has taken root in the construction industry for a number of years. We strive to maintain good standing relationship with our labour. Our project management team pays attention to the need of our workforce and tries to improve the health and safety condition of the working environment in addition to offering competitive remuneration package to our staff.

Project delay risk

Any delay in project (which may or may not be caused by our Group) would affect the timing of our Group's cash inflows and outflows, and the impact of deferring cash inflows may adversely affect our Group's liquidity. In addition, some contracts specify liquidated damage if the delay is caused by us. Our Group attends regular progress meetings with our customers regarding each project's progress. Our project directors would proactively propose solutions to improve progress and our chief financial officer would also closely monitor our Group's operating working capital and assess the impact thereto with respect to each project's status. Monthly budgets are prepared by the chief financial officer and reported to the executive Directors, who also maintain relationship with our principal banks and consider if any contingent financing plants are required.

Health and safety risk

If our employees suffer from work related injury or industrial accidents, claims in respect of employees' compensation and personal injuries may arise. The Labour Department may also take out prosecution against employers for offences that pose risks of serious bodily injury to workers. Our Group has adopted safety and health policy and our staff are given induction training about our safety guidelines and are requested to attend training courses organised by our customers and their safety officers. Our foremen and safety supervisors also conduct regular site inspection on our operations, machinery and equipment to maintain safety working requirement and keep out hazards.

Credit risks

We are exposed to risk of increase in bad debts if trade receivables and/or retention receivables become long overdue. To minimise credit risks, we adopted the following internal control measures:

- before acceptance of a construction project, we conduct internal assessment on the customer's payment history and its reputation in the industry to form a view on its credibility and financial strength and negotiate the credit terms;
- our chief financial officer and project directors closely monitor all overdue payments of each project and take necessary follow-up actions with our customers for the timely settlement of our payments; and
- our chief financial officer prepares receivables ageing analysis for the presentation to our executive Directors who will review the recoverable amount and assess whether it is necessary to make any specific provisions.

Market risks

Our Group is exposed to general market risks related to changes in macroeconomic environment and Hong Kong's as well as Macau's future plan in land supply and infrastructure construction. Our Directors are responsible for monitoring activities in the market to identify and assess the potential risks and from time to time formulate policies to mitigate these market risks.

Risk management

We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations, including monitoring our works performance and taking active measures to management our costs and purchases level. Risk management policy is in place to (i) identify different types of risks; (ii) assess and prioritise the identified risks; (iii) develop risk mitigating and management policy and strategies in respect of the risks and our tolerance; (iv) implement the risk response measures; and (v) evaluate the effectiveness of the risk management measures.

Our Board oversees and manages the overall risks associated with our operations. Moreover, our audit committee will review and supervise our financial reporting process, internal control system and results of operations. The audit committee consists of three members, namely Mr. Leung Wai Hung (chairman), Mr. Law Ching Ning Paschal and Mr. Cheung Chung Chuen George. We have established written terms of reference for the audit committee in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. For details of the audit committee and the qualification of the committee members, please refer to the section headed “Directors and Senior Management” of this prospectus.

Internal control system of our Group

We endeavour to maintain sound and effective internal control system to safeguard our assets and protect Shareholders’ value. In preparing for the Listing and efforts to improve our internal control system, in May 2016, we engaged an independent internal control adviser to perform evaluation of the adequacy and effectiveness of our Group’s internal control system, including the areas of financial, operation, corporate governance, compliance and risk management. The internal control adviser performed an internal control review in October 2016 and identified certain findings in relation to our internal control policies and procedures. We have adopted enhanced operations manual and have fully implemented all the recommended measures suggested by the internal control adviser. The internal control adviser has also performed a follow-up review in March 2017 to understand the status of our implementation of the recommended measures and it has formed its view that we have satisfactorily implemented all the recommended measures based on its follow-up review. Hence, in the opinion of the internal control adviser, our Group’s internal control system is adequate and effective.

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The following table sets forth the details of the major findings and recommendations of the internal control review in October 2016:

<u>Internal control review findings</u>	<u>Recommendations</u>
<p>Our Group has not yet established a comprehensive risk management system to identify our Group's internal and external risks, enable the management to analyse the risk factors, assess the likelihood of risk and impact, and decide that actions to deal with these risks.</p>	<p>Our Group should set up a risk management system based on the characteristics of our Group and our industry.</p> <p>Also, our Group should assign a responsible person or set up a risk management team to engage in ongoing risk assessment.</p>
<p>Our Group has not established policy and procedure regarding conflict of interest, connected and related party transactions, as well as guideline for dealing with such transactions.</p>	<p>Our Group should establish policy and procedure regarding conflict of interest and related party transactions, and to the extent applicable, in accordance with the GEM Listing Rules.</p>
<p>During the review period, Triangular Force, TMP Machinery and Longson Enterprise failed to submit profits tax returns on time and the IRD has issued estimated assessments to Triangular Force.</p>	<p>Our Group should submit the outstanding profits tax returns as soon as possible.</p> <p>In addition, our Group should assign a person to monitor and follow up the progress of filing profits tax returns to avoid late filing.</p>

Based on the results of the follow-up review in March 2017 by the internal control adviser, our Group had implemented measures recommended to rectify the deficiencies identified, and in the internal control reviewer's opinion, our Group's internal control system is adequate and effective.

Corporate governance

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

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Capitalisation Issue and the Share Offer, each of Mr. Tang, Mr. Chui, C3J Development (an investment holding company wholly-owned by Mr. Tang) and Hunter Corporate (an investment holding company wholly-owned by Mr. Chui) will control more than 30% of the issued share capital of the Company. For the purpose of the GEM Listing Rules, Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate are the Controlling Shareholders of the Company.

Each of Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate 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.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. During the Track Record Period, our Group has certain amounts due to our Controlling Shareholders, please refer to the section headed “Financial Information — Due to Directors” of this prospectus and Note 22 (Due to Directors) of the Accountants’ Report set out in Appendix I to this prospectus for further details. All amounts due to our Controlling Shareholders were fully settled by cash or by setting off before Listing. During the Track Record Period, certain lease agreements and bank borrowings were guaranteed by personal guarantees of our Controlling Shareholders, please refer to the section headed “Financial Information — Indebtedness” of this prospectus and Note 24 (Bank Borrowings) of the Accountants’ Report set out in Appendix I to this prospectus for further details. All the above guarantees provided to our Group will be released upon Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations.

(ii) Operational independence

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main function of our Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. We have 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.

Our Board consists of five Directors, comprising two executive Directors, and three independent non-executive Directors. Mr. Tang and Mr. Chui is the only director of C3J Development and Hunter Corporate respectively, a Controlling Shareholder. Save for Mr. Tang and Mr. Chui, no other Directors nor members of senior management of our Group hold any directorship or position in C3J Development or Hunter Corporate.

We consider that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders because:

- each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist;
- the three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements of the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions;
- in the event that there is a potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum present at the particular Board meeting;
- connected transactions between our Group and Controlling Shareholders or their respective associates are subject to the requirements under the GEM Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable); and
- in addition, the senior management team of our Group are independent from the Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 11.04 of the GEM Listing Rules.

LOCK-UP UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders, namely Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate, have given an undertaking to the Stock Exchange pursuant to Rule 13.16A(1) of the GEM Listing Rules which specifies that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, each of our Controlling Shareholders shall not and shall procure that his/its associates or companies controlled by him/it or our nominees or trustees holding the Shares in trust for him/it (as the case may be) shall not:

- (a) within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is or they are shown by this prospectus to be the beneficial owner(s); or
- (b) within the period of six months commencing on the date on which the First Six-month Period 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 the preceding paragraph if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a Controlling Shareholder.

In addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have entered into a deed of lock-up undertaking in favour of our Company (for itself and for the benefit of each of its subsidiary) on 22 September 2017. Pursuant to the deed of lock-up undertaking, our Controlling Shareholders have voluntarily undertaken to our Company for a further 12 months commencing on the date on which the period referred to in paragraph (b) above expires, not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder. This undertaking can only be waived by the approval of majority of the independent Shareholders.

Our Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, demonstrates their long-term commitment to our Group and confidence in its future development.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and our Controlling Shareholders, Mr. Tang, Mr. Chui, C3J Development and Hunter Corporate (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with our Company (for itself and for the benefit of each other member of our Group) on 22 September 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remain effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus (or if such date is not a business day, the immediate preceding business day), the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-competition shall terminate on (i) in relation to any Covenantor, the date on which he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

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 the 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 associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (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) our Company has appointed Frontpage Capital as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Please refer to the section headed "Directors and Senior Management — Compliance Adviser" in this prospectus for further details in relation to the appointment of compliance adviser;
- (iv) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (v) our independent non-executive Directors will, based on the information available to them, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) 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 Company's annual report after Listing.

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 information regarding our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Role and Responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Tang Kwai Leung Stanley (湯桂良)	49	Executive Director, chairman of our Board	10 January 2008	3 January 2017	Overseeing the corporate strategy, operational management of our Group	N/A
Mr. Chui Koon Yau (徐官有)	50	Executive Director	10 January 2008	13 March 2017	Overseeing the operational management and quality control of projects of our Group	N/A
Independent non-executive Directors						
Mr. Cheung Chung Chuen George (張宗傳)	43	Independent non-executive Director	22 September 2017	22 September 2017	Providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct	N/A
Mr. Leung Wai Hung (梁偉雄)	49	Independent non-executive Director	22 September 2017	22 September 2017	Providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Role and Responsibilities	Relationship with other Director(s) and/or senior management
Mr. Law Ching Ning Paschal (羅政寧)	47	Independent non-executive Director	22 September 2017	22 September 2017	Providing independent judgment to our Board on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct	N/A

EXECUTIVE DIRECTORS

Mr. Tang Kwai Leung Stanley (湯桂良) (“Mr. Tang”), aged 49, is our executive Director and chairman of our Board responsible for overseeing the corporate strategy, operational management of our Group, and a co-founder of our Group. Mr. Tang attended secondary school education in Hong Kong. Mr. Tang completed a construction safety supervisor course organised by the Construction Industry Training Authority in 1999. He also obtained a trade test certification card for piling operative (bored pile) issued by the Construction Industry Training Authority in 2002, a certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in November 2008 and a certificate for operation of crawler-mounted mobile crane in May 2014.

Mr. Tang has approximately 20 years of experience in construction and foundation work industry. Before establishing Triangular Force in 2008, he accumulated approximately 10 years of experience working for China Overseas (Hong Kong) Limited as a foreman for intermittent periods from October 1994 to December 2007, his last position as a general foreman. He also worked for Hsin Chong (Foundations) Limited as a site foreman from August 2000 to May 2001.

Mr. Tang was a director of the following company incorporated in Hong Kong prior to its dissolution (but not due to members’ voluntary winding-up) with details as follows:

Name of company	Nature of business immediately prior to dissolution	Date of dissolution
Taejin Trading Limited (泰進貿易有限公司) (<i>Note</i>)	The company was dormant since incorporation	24 April 2015

Note: Taejin Trading Limited was struck off and dissolved pursuant to section 746 of the Companies Ordinance. Under section 746 of the Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a company that is not in operation or carrying on business from the register of companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang confirmed that the above company was solvent immediately prior to its dissolution there was no wrongful act on his part leading to the dissolution of Taejin Trading Limited, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Taejin Trading Limited.

Mr. Chui Koon Yau (徐官有) (“Mr. Chui”), aged 50, is our executive Director, responsible for overseeing the operational management and quality control of projects of our Group, and a co-founder of our Group. Mr. Chui attended secondary school education in Hong Kong. Mr. Chui is a registered construction worker pursuant to the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong). He obtained a trade test certification card for plant and equipment operator (bored pile) issued by the Construction Industry Training Authority in 2003 and a certificate for operation of crawler-mounted mobile crane in May 2014. Mr. Chui has also obtained several certificates on construction safety including the certificate of rigger & signaller safety training issued by the Hong Kong Safety Training Association in December 2008.

Mr. Chui has approximately 26 years of experience in construction and foundation work industry. Before establishing Triangular Force in 2008, Mr. Chui worked as a foreman and a crane operator from 1995 to 2000 for various construction or foundation companies. Mr. Chui then worked as a crane operator and a general foreman in Vibro Construction Company Limited from 2000 to 2005, and from 2005 to 2008, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chung Chuen, George (張宗傳) (“Mr. Cheung”), aged 43, was appointed as our independent non-executive Director on 22 September 2017. He is also the chairman of the nomination committee and a member of the audit and remuneration committees of our Company.

In November 1998, Mr. Cheung obtained a degree of bachelor of laws from City University of Hong Kong. He then obtained a postgraduate certificate in laws from the same university in July 1999. He was admitted as a solicitor of the High Court of Hong Kong in September 2001.

Mr. Cheung has approximately 15 years of experience in legal industry specialising in conveyancing. He worked in a number of law firms throughout the years. He worked for Ng & Shum Solicitors & Notaries in association with D&S Law Firm from August 2002 to January 2005, and Iu, Lai & Li Solicitors & Notaries from January 2005 to September 2006 as an assistant solicitor. He worked at Woo, Kwan, Lee & Lo from October 2006 to July 2008 as an assistant solicitor. Later on, he worked for Allen & Overy from July 2008 to April 2011, his last position held was a senior associate. Mr. Cheung then worked for Kao, Lee & Yip from April 2011 to February 2012, his last position held was an assistant solicitor. He subsequently joined T.K. Tsui & Co., Solicitors as assistant solicitor in May 2012, and was admitted as a partner in August 2012, he left the firm in March 2014. He has been a consultant of Cheung & Yeung, Solicitors from April 2014 to June 2017 and he joined Eversheds Legal Services (Hong Kong) Limited in June 2017.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung was a tutor that provided conveyancing and probate practice for the postgraduate certificate in laws programme for the City University of Hong Kong from September to December 2017.

Mr. Leung Wai Hung (梁偉雄) (“Mr. Leung”), aged 49, was appointed as our independent non-executive Director on 22 September 2017. He is also the chairman of the audit committee and a member of the nomination and remuneration committees of our Company.

Mr. Leung obtained his degree of bachelor of business administration from The Chinese University of Hong Kong in May 1989. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 1996. He was later admitted as a fellow of The Association of Chartered Certified Accountants in May 1999.

Mr. Leung has more than 25 years of experience in accounting and finance industry and has served various listed companies in Hong Kong throughout the years. From August 1989 to September 1992, Mr. Leung worked for Protech Property Management Limited as an accountant. He then worked for Seapower International Holdings Limited (now known as Build King Holdings Limited) (stock code: 240) as an accountant from October 1992 to May 1994. He worked for Cheung Kong (Holdings) Limited (now known as CK Hutchison Holdings Limited) (stock code: 001) as an accountant from May 1994 to June 2005. He later worked for ARA Asset Management (Prosperity) Limited (being the Fund Manager of Prosperity Real Estate Investment Trust (stock code: 808)) as a finance manager from September 2005 to September 2006, and then worked for Fineland Real Estate Holdings Company Limited from December 2006 to December 2010, his last position held was vice president and chief financial officer. From February 2011 to July 2012, he worked for ARA Asset Management (Fortune) Limited (being the Fund Manager of Fortune Real Estate Investment Trust (stock code: 778; Singapore stock code: F25U)) as a finance director. Since January 2013, he started working at Shougang Concord International Enterprises Company Limited (stock code: 697) as a financial controller.

Mr. Law Ching Ning Paschal (羅政寧) (“Mr. Law”), aged 47, was appointed as our independent non-executive Director on 22 September 2017. He is also a chairman of the remuneration committee and a member of the audit and nomination committees of our Company.

Mr. Law obtained a degree of bachelor of science (architecture) and a degree of bachelor of architecture from The University of Sydney in June 1992 and in June 1995, respectively. Mr. Law is currently an authorised signatory of Law Chi Yip Construction Company Limited.

Mr. Law has approximately 20 years of experience in the architectural and construction industry. He worked for Law Chi Yip Construction Company Limited as an assistant manager in January 2000 and was promoted to a project manager in July 2003 and acted as the project-in-charge for a number of projects from 2002 onwards. Mr. Law started working at LCY Design Limited as a director since December 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Law was a director of the following companies incorporated in Hong Kong prior to their dissolution (but not due to members' voluntary winding-up) with details as follows:

<u>Name of company</u>	<u>Nature of business immediately prior to dissolution</u>	<u>Date of dissolution</u>
C Search Limited (<i>Note</i>)	Provision of recruitment services	25 October 2002
Globiz F&B Limited (高必士飲食有限公司) (<i>Note</i>)	The company was dormant since incorporation	15 February 2008

Note: C Search Limited and Globiz F&B Limited were both struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Mr. Law confirmed that the above companies were solvent immediately prior to their dissolution, there was no wrongful act on his part leading to the dissolution of the above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of these companies.

DIRECTORS' INTEREST

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out certain information of the senior management of our Group:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Date of appointment as senior management</u>	<u>Role and responsibilities</u>
Mr. Leung Ping Kei (梁炳基)	47	Superintendent	3 July 2013	22 September 2017	Supervision and construction of bored piles for our Group's projects
Mr. Lau Jeff Tak Wai (劉德威)	43	General manager	15 August 2016	22 September 2017	Business development, tendering process and daily operation of our Group
Ms. Chu Ka Ying (朱嘉瑩)	34	Chief financial officer and company secretary	26 September 2016	13 March 2017	Finance management and company secretarial works
Mr. Au-Yeung Chi Kong (歐陽智剛)	48	General manager	3 February 2016	22 September 2017	Day to day management and safety of our Group's projects

Mr. Leung Ping Kei (梁炳基) (“Mr. Leung”), aged 47, joined our Group in July 2013 as foreman and was appointed as superintendent on 22 September 2017. He is responsible for the supervision and construction of bored piles in various projects. Mr. Leung obtained a certificate in civil engineering studies from the Hong Kong Institute of Vocational Education in September 1999. He also completed a 42-hour part-time construction safety supervisor course held by the Construction Industry Training Authority in August 2004.

Mr. Leung has more than 27 years of experience in the civil and foundation construction industry. He first got into the industry in 1989 through working for Gammon Construction Limited as chainman and ganger until 1992. He then worked for Leighton Construction Limited from 1992 to 1993 as a ganger. He then worked at Campenon Bernard SGE & Franki JV as an assistant surveyor from 1994 to 1997. Later on, he worked for Hsin Chong (Foundations) Limited as an assistant surveyor and an assistant foreman from March 1997 to April 2002. From December 2002 to April 2009, he worked for China State Construction Engineering (Hong Kong) Limited as a foreman. He was then employed by Granbo Construction Company Limited from October 2009 to February 2012 as a site foreman. Immediately prior to joining our Group, he worked for Chun Wo Foundations Limited during the period from February 2012 to June 2013 as a senior foreman.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Jeff Tak Wai (劉德威) (“Mr. Lau”), aged 43, joined our Group on 15 August 2016 as a deputy general manager and was appointed as a general manager on 22 September 2017. He was responsible for the business development, tendering process and daily operation of our Group. He was appointed as a director of Triangular Force in August 2016 and is currently acting as the technical director and authorised signatory of Triangular Force under the Buildings Ordinance (Cap. 123).

Mr. Lau graduated with a degree of bachelor of engineering in civil engineering from the University of South Australia in May 1998 and subsequently obtained a degree of master of arts in transport policy and planning from The University of Hong Kong in December 2002 and a degree of master of business administration from The Chinese University of Hong Kong in December 2010. Mr. Lau is registered as a chartered professional engineer in the area of civil engineering in the National Engineering Register of Australia. He has also been elected as a member of The Institution of Engineers, Australia since November 2002 and a chartered member of The Chartered Institute of Logistics & Transport, Hong Kong since December 2002. Mr. Lau was elected as a chartered professional engineer member of The Institution of Engineers Australia in February 2013.

Mr. Lau has more than 18 years of extensive experience in civil and foundation engineering in Hong Kong. From January 1998 to October 1998, Mr. Lau worked for Proficiency Equipment Limited as a civil engineer. He then worked for Kowloon-Canton Railway Corporation from November 1998 to May 2000 as an engineering officer and has obtained a letter of commendation in recognition of his outstanding performance at work. From November 2000 to November 2001, Mr. Lau worked as a site engineer for Chun Wo — Henryvicy — China Railway Construction Corporation — Queensland Rail Joint Venture. He then went back to Kowloon-Canton Railway Corporation to work as an assistant engineer from December 2001 to December 2003. Mr. Lau worked for Chun Wo Construction & Engineering Co., Ltd (“**Chun Wo**”), a wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (formerly known as Chun Wo Development Holdings Limited) (stock code: 711), as a senior engineer from May 2004 to May 2007. He then worked for Proficiency Net Limited as a marketing manager from May 2007 to February 2010. Mr. Lau then went back to Chun Wo during the period from May 2010 to July 2016, his last position held was the project manager of the company. He acted as the authorised signatory of Chun Wo Foundations Limited, another wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited, under the Buildings Ordinance (Cap. 123) from April 2016 to July 2016 and the authorised signatory for the Hong Kong Housing Authority foundation contract.

Ms. Chu Ka Ying (朱嘉瑩) (“Ms. Chu”), aged 34, was appointed as our company secretary on 13 March 2017 and chief financial officer on 26 April 2017. She is currently responsible for finance management and company secretarial works. Ms. Chu obtained a degree of bachelor of business administration in accountancy from the Hong Kong Polytechnic University in October 2008. She has become a member of the Hong Kong Institute of Certified Public Accountants since July 2015.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chu worked for Dennis Wong & Company as an accountant during the period from June 2007 to November 2010 with duties including company secretarial matters and regulatory filings and tax returns. Later on, she was employed by Ernst & Young on 13 December 2010 and worked there until September 2016. Her last position held at Ernst & Young was a manager of the assurance department and her duties included audit engagements of listed companies as well as assessing the compliance with regulatory and financial reporting requirements.

Mr. Au-Yeung Chi Kong (歐陽智剛) (“Mr. Au-Yeung”), aged 48, and joined our Group in February 2016 as operation director (construction) was appointed as general manager on 22 September 2017. He is currently responsible for the day to day management and safety of our projects. Mr. Au-Yeung obtained a higher diploma in civil engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in October 1992. He then obtained a degree of master of science in construction project management from the University of Greenwich in the United Kingdom in March 2003. He was admitted as an associate member of the Hong Kong Institution of Engineers in December 1997.

Mr. Au-Yeung has approximately 24 years of experience in engineering and construction project management. Prior to joining our Group, Mr. Au-Yeung worked as a project manager and a site agent for various projects under his employments with different companies. Mr. Au-Yeung first got into the industry in July 1992 through working for Goldford Engineering Limited as an assistant engineer. He worked there until September 1994, he then worked for Cleveland Structural Engineering (Hong Kong) Limited as a site engineer from September 1994 to March 1995. Later on, he worked for Kier — SFK Joint Venture as a site engineer from April 1995 to June 1996. He then worked for C M Wong & Associates Limited as a site engineer from July 1996 to June 1998. From June 1998 to October 2001, Mr. Au-Yeung worked for Gammon Construction Limited as a project engineer. He then worked for China State Construction Limited from November 2001 to October 2008, his last position held was a site agent. Later on, he worked for Chun Wo Foundations Limited as a site agent from October 2008 to January 2009 and China International Fund Limited as a project manager from February 2009 to January 2010. Prior to joining our Group, he served as a project manager in Bachy Soletanche Group Limited from January 2010 to February 2016.

Mr. Au-Yeung was a director of the following companies incorporated in Hong Kong prior to its dissolution (but not due to members’ voluntary winding-up) with details as follows:

<u>Name of company</u>	<u>Nature of business immediately prior to dissolution</u>	<u>Date of dissolution</u>
Everfirst Engineering Limited (先達工程有限公司) (Note 1)	Provision of engineering and construction services	22 December 2000
Taejin Trading Limited (泰進貿易有限公司) (Note 2)	The Company was dormant since incorporation	24 April 2015

DIRECTORS AND SENIOR MANAGEMENT

Note 1: Everfirst Engineering Limited was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Note 2: Taejin Trading Limited was struck off and dissolved pursuant to section 746 of Companies Ordinance. Under section 746 of the Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a company that is not in operation or carrying on business from the register of companies.

Mr. Au-Yeung confirmed that the above companies were solvent immediately prior to their dissolution, there was no wrongful act on his part leading to the dissolution of the above companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of these companies.

COMPANY SECRETARY

Ms. Chu was appointed as our chief financial officer and company secretary on 13 March 2017. Please refer to the paragraph headed “Senior management” in this section for the profile of Ms. Chu. By virtue of Ms. Chu’s professional qualifications as a member of the HKICPA and her experience in handling company secretarial matters in her past employment, our Directors are of the view that Ms. Chu is competent to be our company secretary under the GEM Listing Rules.

COMPLIANCE OFFICER

Mr. Tang is the compliance officer of our Company. For his biographical details, please refer to the paragraph headed “Executive Directors” in this section.

COMPLIANCE ADVISER

Our Company has appointed Frontpage Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Frontpage Capital assumes responsibility for acting as our Company’s compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, development or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of appointment shall commence on the date of Listing and end on the date on which our Company distributes the annual report of its financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Except for (i) Frontpage Capital's roles as the sponsor in relation to the Listing and as one of the Joint Lead Managers for the Share Offer; (ii) the compliance adviser agreement entered into between our Company and Frontpage Capital; and (iii) the Underwriting Agreements, Frontpage Capital does not have any other contractual arrangement with our Group as at the Latest Practicable Date.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Articles and the GEM Listing Rules, we have formed three board committees, namely the audit committee, the nomination committee, and the remuneration committee.

Audit committee

Our Group has established the Audit Committee pursuant to a resolution of our Directors passed on 22 September 2017 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Cheung, Mr. Law, and Mr. Leung. Mr. Leung is the chairman of the Audit Committee.

Nomination committee

Our Company has established the nomination committee pursuant to a resolution of our Directors passed on 22 September 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The nomination committee comprises of three members, namely Mr. Cheung, Mr. Law and Mr. Leung. Mr. Cheung is the chairman of the nomination committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

Remuneration committee

Our Company has established the remuneration committee pursuant to a resolution of our Directors passed on 22 September 2017 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The remuneration committee comprises three members, namely Mr. Cheung, Mr. Law and Mr. Leung. Mr. Law is the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other

DIRECTORS AND SENIOR MANAGEMENT

things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of Directors and senior management.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Company intends to comply with the code provisions set out in the Corporate Governance Code and the associated GEM Listing Rules after the Listing.

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 accrued to our Directors for the years ended 31 March 2016 and 2017 was HK\$1,716,000 and HK\$1,752,000, respectively.

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 for the years ended 31 March 2016 and 2017 were HK\$3,945,000 and HK\$4,344,000, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending 31 March 2018 to be HK\$1,752,000.

During the Track Record Period, 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. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the Track Record Period by us or any of our subsidiaries to our Directors.

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the existing Shareholders of our Company passed on 22 September 2017. The purpose of the Share Option Scheme is to enable our Company to grant options to select participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer is set out in the table below. The table is prepared on the basis of the Share Offer becoming unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

<i>Authorised share capital</i>	HK\$
<u>1,000,000,000</u> Shares of HK\$0.01 each	<u>10,000,000</u>

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

	HK\$
16,000 Shares in issue at the date of this prospectus	160
449,984,000 Shares to be issued pursuant to the Capitalisation Issue	4,499,840
<u>150,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,500,000</u>
<u>600,000,000</u> Total	<u>6,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 150,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other existing Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will be entitled to all dividends or other distributions hereafter declared, made or paid on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 22 September 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 449,984,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on 21 September 2017 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$4,499,840 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 OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 September 2017. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the 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 the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

SHARE CAPITAL

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further information about our Company — Written resolutions of our Shareholders passed on 22 September 2017” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on GEM, 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 GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting 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.

SHARE CAPITAL

For further details of this general mandate, please refer to the section headed “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 22 September 2017” and section headed “Statutory and General Information — A. Further information about our Company — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the 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 of its subsidiaries.

Long position in the Shares

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer</u>	<u>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer</u>
C3J Development (<i>Note 1</i>)	Beneficial owner	225,000,000	37.5%
Mr. Tang (<i>Note 1</i>)	Interest of a controlled corporation	225,000,000	37.5%
Ms. Lam Ka Yi (<i>Note 2</i>)	Interest of spouse	225,000,000	37.5%
Hunter Corporate (<i>Note 3</i>)	Beneficial owner	225,000,000	37.5%
Mr. Chui (<i>Note 3</i>)	Interest of a controlled corporation	225,000,000	37.5%
Ms. Wong Kit Chun (<i>Note 4</i>)	Interest of spouse	225,000,000	37.5%

Notes:

1. Mr. Tang beneficially owns the entire issued share capital of C3J Development. Therefore, Mr. Tang is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO. Mr. Tang is the sole director of C3J Development.
2. Ms. Lam Ka Yi is the spouse of Mr. Tang. Therefore, Ms. Lam Ka Yi is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO.
3. Mr. Chui beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Mr. Chui is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO. Mr. Chui is the sole director of Hunter Corporate.

SUBSTANTIAL SHAREHOLDERS

4. Ms. Wong Kit Chun is the spouse of Mr. Chui. Therefore, Ms. Wong Kit Chun is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have an interest or short position 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.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and development will meet our expectations and projections depend on a number of risks and uncertainties over which we do not have control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a foundation contractor primarily specialising in bored piling works as well as other foundation works in Hong Kong. We are capable of installing bored piles with diameters ranging from 1.5 m to 3 m of various pile lengths. We possess all standard plants and machinery and equipment necessary for the construction of bored piles. During the Track Record Period, we undertook all project works as a subcontractor.

Our bored piling business has started since 2008. We participated actively in the bored piling foundation works and undertook "build-only" projects which we did not prepare any foundation design and performed our works according to the specifications provided to us without involving ourselves in foundation design during the Track Record Period. We completed 10 and 16 projects in public and private sector during the Track Record Period and up to the Latest Practicable Date, and we have 7 projects on hand as at the Latest Practicable Date. Based on contracts on hand as at Latest Practicable Date, total outstanding contract sum amounted to approximately HK\$39,391,000, out of which approximately HK\$35,264,000 and HK\$4,127,000 are expected to be fully recognised for the year ending 31 March 2018 and for the six months ending 30 September 2018, respectively.

We recognised revenue of approximately HK\$86,604,000 and HK\$116,563,000 and net profit of approximately HK\$17,281,000 and HK\$5,280,000 for the years ended 31 March 2016 and 2017, respectively. For the year ended 31 March 2017, for illustration purpose only, if the effect of the listing expenses of approximately HK\$3,756,000 were not charged to profit or loss for the year ended 31 March 2017 as presently charged, our net profit would be approximately HK\$9,036,000.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our consolidated financial information for the Track Record Period has been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In the preparation for the Listing, our Group has undergone the Reorganisation, the details of which are explained in the section headed “History, Development and Group Structure” of this prospectus. Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group.

As the Reorganisation is undertaken to incorporate our Company as an ultimate holding company, our Group is a continuation of the existing group. The companies now comprising our Group were under common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, the historical financial information for our Group has been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the Track Record Period include the results and cash flows of the companies now comprising our Group pursuant to the Reorganisation as if our Group’s structure as at the Latest Practicable Date had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment where this is a shorter period. The consolidated statements of financial position of our Group as at 31 March 2016 and 2017 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies now comprising our Group as if our Group’s current structure had been in existence as at those dates.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk Factors” of this prospectus and those set out below:

Market demand for construction activities

We derive our revenue mainly from the provision of bored piling and foundation works for both public and private sectors, whose demand relates to the number of infrastructure projects and the number of property development projects where construction activities are carried out, which may vary according to a combination of factors including government spending, the demand of infrastructure, the supply of land and the general conditions as well as the prospects of the economy. The increase or decrease in the demand for construction activities would therefore affect the demand of our services. There is no assurance that the number of construction projects in Hong Kong would decrease which may in turn adversely and materially affect our business in general and our results of operation.

FINANCIAL INFORMATION

Collectability and timing of collection of our trade debtors and retention monies receivables

We normally receive progress payments from our customers on a regular basis with reference to the value of work done, and a portion of such payment, ranging from 5% to 10%, is usually withheld by our customers as retention money and normally half of which will be remitted to us after completion of our works and the remaining half will be remitted to us after the lapse of the defects liability period. Accordingly, we may be subject to considerable credit risk and there can be no assurance that the retention receivables or any future retention money will be remitted by our customers to us on a timely basis and in full. As at 31 March 2017, our trade receivables amounted to approximately HK\$34,342,000 and our retention receivables amounted to approximately HK\$8,442,000. Any late payment to us, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

Fluctuation in our cost of sales

Our key direct costs in the provision of foundation works, among others, are (i) staff costs; (ii) depreciation; (iii) costs of construction materials; and (iv) machinery rental expenses. For the years ended 31 March 2016 and 2017, the aggregate of staff costs, machinery rental expenses and costs of construction materials represented 59.8% and 55.4% of our total cost of sales, respectively. For the details of the components comprising our cost of sales, please refer to paragraph headed “Selected line items in the consolidated statements of profit or loss and other comprehensive income — Cost of sales” in this section.

Concrete and metal materials are primarily required for our foundation works, which we purchase from suppliers or are provided by our customers, which are the main contractor of the construction projects, under a contra-charge arrangement. We may also rent the machineries which are necessary to perform the foundation works from third parties.

Fluctuation in any of the aforesaid cost of sales items will directly affect our profit during implement of our foundation projects. In the event that the cost of sales increase unexpectedly to the extent that we have to incur substantial extra costs, which in usual case we will not be compensated, our financial performance and profitability will be adversely affected.

FINANCIAL INFORMATION

The following sensitivity analyses illustrates the impact of hypothetical fluctuations in staff costs, machinery rental expenses and cost of construction materials on our profit after tax during the Track Record Period, assuming all other variables remained constant.

Hypothetical fluctuations	-20.0%	-10.0%	+10.0%	+20.0%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(Decrease)/increase in staff costs</i>				
For the year ended 31 March 2016	(4,123)	(2,061)	2,061	4,123
For the year ended 31 March 2017	(5,224)	(2,612)	2,612	5,224
<i>Increase/(decrease) in profit after income tax</i>				
For the year ended 31 March 2016	3,443	1,721	(1,721)	(3,443)
For the year ended 31 March 2017	4,362	2,181	(2,181)	(4,362)
Hypothetical fluctuations	-20.0%	-10.0%	+10.0%	+20.0%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(Decrease)/increase in costs of construction materials</i>				
For the year ended 31 March 2016	(1,831)	(916)	916	1,831
For the year ended 31 March 2017	(4,327)	(2,164)	2,164	4,327
<i>Increase/(decrease) in profit after income tax</i>				
For the year ended 31 March 2016	1,529	765	(765)	(1,529)
For the year ended 31 March 2017	3,613	1,807	(1,807)	(3,613)
Hypothetical fluctuations	-20.0%	-10.0%	+10.0%	+20.0%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(Decrease)/increase in machinery rental expenses</i>				
For the year ended 31 March 2016	(1,468)	(734)	734	1,468
For the year ended 31 March 2017	(1,130)	(565)	565	1,130
<i>Increase/(decrease) in profit after income tax</i>				
For the year ended 31 March 2016	1,226	613	(613)	(1,226)
For the year ended 31 March 2017	944	472	(472)	(944)

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Group has identified certain accounting policies that are significant to the preparation of the consolidated financial information in accordance with HKFRSs. These significant accounting policies which we believe are important for an understanding of the financial condition and results of operation of our Group. For more details regarding other accounting policies, please refer to the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. We have identified below accounting policies and estimates that are most critical to the preparation of our consolidated financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably.

(i) *Construction contract income*

Revenue from construction contracts is recognised based on the stage of completion of the contracts. Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured. If the variations have not been agreed with customer, variations will be recognised only to the extent of contract cost incurred that it is probable will be recoverable.

Our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period, to the extent that our works are certified by our customers. When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract.

Since certification of our works is not necessarily issued at our reporting period end date for all of our projects, in this case, we estimate stage of completion up to the reporting-period end with reference to the progress certification subsequent to the reporting-period end. Revenue was recognised on a pro-rata basis based on the amount of works performed as confirmed by the next progress certification that takes place subsequent to the reporting-period end and is allocated between the two financial periods based on number of days each financial period covered for that particular progress certificate.

FINANCIAL INFORMATION

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Significant judgment is required in estimating the contract revenue, contract costs, variation works and provision for claims which have an impact on the percentage of completion of contracts and profit or loss recognised.

(ii) *Ancillary services income*

Revenue from ancillary service income is recognised as services are rendered.

(iii) *Rental income*

Rental income is recognised on a straight-line basis over the lease term.

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

Construction contracts

In addition to the revenue recognised from construction contracts as described above, construction contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Construction contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statements of financial position as “gross amounts due from customers for contract work”. When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statement of financial position as “gross amounts due to customers for contract work”.

Impairment loss for bad and doubtful debts

Our Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability and the ageing of the trade and other receivables and gross amounts due from customers for contract work, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables, gross amounts due from customers for contract work and doubtful debt expenses in the year/period in which such estimate has been changed.

FINANCIAL INFORMATION

As at 31 March 2016 and 2017, our Group made no accumulated impairment loss for bad and doubtful debts.

RESULTS OF OPERATIONS OF OUR GROUP

A summary of our Group's consolidated statements of profit or loss and other comprehensive income for the periods indicated, extracted from the Accountants' Report included as Appendix I to this prospectus is set forth below.

	For the year ended 31 March	
	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000
Revenue	86,604	116,563
Cost of sales	<u>(62,096)</u>	<u>(96,363)</u>
Gross profit	24,508	20,200
Other income	1,490	1,052
Administrative expenses	(4,959)	(14,119)
Other operating expenses	<u>(108)</u>	<u>(128)</u>
Profit from operations	20,931	7,005
Finance costs	<u>(280)</u>	<u>(166)</u>
Profit before tax	20,651	6,839
Income tax expenses	<u>(3,370)</u>	<u>(1,559)</u>
Profit and total comprehensive income for the year attributable to owners of our Company	<u><u>17,281</u></u>	<u><u>5,280</u></u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is principally generated from (i) construction contracts, which are mainly foundation works including bored piles construction and removal of obstructing piles; and (ii) ancillary services, which are general labour services provided by our Group. During the Track Record Period, we completed 18 foundation works projects. As at the Latest Practicable Date, we had 7 projects on hand for foundation works. The following table sets forth the breakdown of our revenue by nature of work services as well as sectors during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Revenue by nature of work				
Construction contract income				
— Bored piles construction	64,579	74.6	104,680	89.8
— Removal of obstructing piles	21,388	24.7	10,972	9.4
Sub-total	85,967	99.3	115,652	99.2
Ancillary service income <i>(Note)</i>	637	0.7	911	0.8
Total	86,604	100	116,563	100.0

Note: Ancillary service income represented revenue derived from providing general labour services by our Group.

	For the year ended 31 March					
	2016			2017		
	Number of projects	HK\$'000	%	Number of projects	HK\$'000	%
Public sector projects	4	20,684	24.1	7	40,002	34.6
Private sector projects	8	65,283	75.9	14	75,650	65.4
Total construction contract income	12	85,967	100	21	115,652	100

Subsequent to Track Record Period and up to the Latest Practicable Date, we have six public sector projects and seven private sector projects that contribute revenue to our Group.

FINANCIAL INFORMATION

The following table sets forth the breakdown of revenue derived from types of customers, either main contractors and subcontractors, during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Main contractor customers	54,177	63.0	46,823	40.5
Subcontractor customers	31,790	37.0	68,829	59.5
	<u>85,967</u>	<u>100.0</u>	<u>115,652</u>	<u>100.0</u>

The following table sets forth our Group's construction contract income by contract size during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	Number of projects	HK\$'000	Number of projects	HK\$'000
More than HK\$20 million	3	56,460	2	22,204
HK\$10 million to HK\$20 million	3	11,491	6	55,382
Less than HK\$10 million	6	18,016	13	38,066
	<u>12</u>	<u>85,967</u>	<u>21</u>	<u>115,652</u>

Subsequent to Track Record Period and up to the Latest Practicable Date, we have eight, four and one projects which have the contract size of less than HK\$10 million, HK\$10 million to HK\$20 million and more than HK\$20 million, respectively.

FINANCIAL INFORMATION

Revenue from construction contracts

The following table sets out the list of foundation projects, which includes the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is established according to the ratio of revenue recognised to total contract sum (including the value of any variation orders), as at 31 March 2017:

No.	Job code	Location of project	Type of work	Project sector	Revenue for	Revenue for	Total revenue	Percentage
					the year ended 31 March 2016	the year ended 31 March 2017	recognised during the Track Record Period	of completion as at 31 March 2017
					HK\$'000	HK\$'000	HK\$'000	%
1	Job 30	Wan Chai District	Bored piles construction	Private	3,110	—	3,110	100
2	Job 31	Yau Tsim Mong District	Bored piles construction	Private	27,936	—	27,936	100
3	Job 32	Sha Tin District	Bored piles construction	Private	15,486	11,233	26,719	100
4	Job 34	Kowloon City District	Bored piles construction	Private	4,536	66	4,602	100
5	Job 35B	Central and Western District	Bored piles construction	Public	3,566	8,602	12,168	100
6	Job 36	Eastern District	Bored piles construction	Public	—	2,050	2,050	100
7	Job 37	Sha Tin District	Bored piles construction	Private	1,928	4,972	6,900	100
8	Job 38	Kowloon City District	Bored piles construction	Private	6,836	2,265	9,101	100
9	Job 39	Islands District	Bored piles construction	Public	—	10,784	10,784	100
10	Job 40	Central and Western District	Bored piles construction	Private	—	10,581	10,581	82.0
11	Job 41	Tuen Mun District	Bored piles construction	Private	—	19,042	19,042	95.7
12	Job 42	Kowloon City District	Bored piles construction	Private	—	6,000	6,000	100

FINANCIAL INFORMATION

No.	Job code	Location of project	Type of work	Project sector	Revenue for	Revenue for	Total revenue	Percentage
					the year ended 31 March 2016	the year ended 31 March 2017	recognised during the Track Record Period	of completion as at 31 March 2017
					HK\$'000	HK\$'000	HK\$'000	%
13	Job 44	Kwun Tong District	Mini piles construction	Private	1,181	1,150	2,331	100
14	Job 45	Sham Shui Po District	Bored piles construction	Private	—	4,842	4,842	100
15	Job 47	Sha Tin District	Bored piles construction	Public	—	2,181	2,181	20.3
16	Job 48	Sai Kung District	Bored piles construction	Public	—	2,361	2,361	100
17	Job 49	Islands District	Bored piles construction	Public	—	3,052	3,052	100
18	Job 50	Yau Tsim Mong District	Bored piles construction	Private	—	4,192	4,192	37.0
19	Job 51	Yau Tsim Mong District	Bored piles construction	Private	—	3,360	3,360	76.6
20	Job 52	Yau Tsim Mong District	Bored piles construction	Private	—	1,759	1,759	29.1
21	Job 53	Wong Tai Sin District	Bored piles construction	Private	—	1,032	1,032	100
22	Job 54	Yau Tsim Mong District	Bored piles construction	Private	—	5,156	5,156	71.4
23	Job 26	Wong Tai Sin District	Removal of obstructing piles	Public	3,654	—	3,654	100
24	Job 28	Tuen Mun District	Removal of obstructing piles	Private	4,270	—	4,270	100
25	Job 29	Yau Tsim Mong District	Removal of obstructing piles	Public	426	—	426	100
26	Job 35A	Central and Western District	Removal of obstructing piles	Public	13,038	10,972	24,010	100
					85,967	115,652	201,619	

FINANCIAL INFORMATION

Cost of sales

The following table sets out the breakdown of our Group's cost of sales during the Track Record Period:

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Staff costs	20,614	26,118
Machinery rental expenses	7,338	5,649
Costs of construction materials	9,157	21,636
Diesel fuel expenses	3,249	4,632
Depreciation	12,216	13,112
Subcontracting charges	3,809	13,188
Transportation expenses	4,046	7,813
Repair and maintenance expenses	816	2,008
Other direct costs	851	2,207
	<u>62,096</u>	<u>96,363</u>

Staff costs

Staff costs represented compensation and benefit to our staff who are directly involved in foundation projects.

Machinery rental expenses

Machinery rental expenses represented the rental expenses on machinery for our foundation projects.

Costs of construction materials

Costs of construction materials represented the costs of purchase of mainly concrete, steel and hardware which are directly used for construction works.

Diesel fuel expenses

Diesel fuel expenses represented the costs of purchase of diesel fuel for our machineries.

Depreciation

Depreciation represented the depreciation expenses for our machineries as well as the equipment (mainly temporary steel casings) for carrying out the foundation works.

FINANCIAL INFORMATION

Subcontracting charges

Subcontracting charges represented charges of our subcontractors for performing the works subcontracted by us.

Transportation expenses

Transportation expenses were incurred for transporting our machineries, construction materials and construction wastes to and/or from the construction sites.

Repair and maintenance expenses

Repair and maintenance expenses were incurred for servicing our machineries and motor vehicles during the course of our foundation projects.

Other direct costs

Other direct costs represented the less significant and/or miscellaneous operating costs incurred for undertaking of the foundation works, which included the rental of warehouse and the testing expenses for the foundation work performed.

Gross profit/(loss) and gross margin

The following table sets forth a breakdown of our gross profit/(loss) and gross margin by type of works during the Track Record Period:

	For the year ended 31 March			
	2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Gross profit/(loss) by nature of work				
Construction contract				
— Bored piles construction	21,178	32.8	20,146	19.2
— Removal of obstructing piles	<u>2,949</u>	13.8	<u>(35)</u>	(0.3)
Sub-total	24,127	28.1	20,111	17.4
Ancillary service	<u>381</u>	59.8	<u>89</u>	9.8
Total	<u><u>24,508</u></u>	28.3	<u><u>20,200</u></u>	17.3

FINANCIAL INFORMATION

	For the year ended 31 March			
	2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Public sector projects	3,157	15.3	4,618	11.5
Private sector projects	20,970	32.1	15,493	20.5
Total/overall	24,127	28.1	20,111	17.4

During the Track Record Period, our gross profit margin varied from project to project. Our gross profit and gross profit margin are dependent on various factors, including (i) nature and complexity; (ii) competition; and (iii) cost controls.

(i) Nature and complexity

When preparing our tender price, primarily we consider depth of boring, the soil properties and the price of concrete and reinforcement; we also take into account a number of factors, such as (i) the duration of the project; (ii) cost and availability of workers, materials and machinery; (iii) geological conditions such as the depth of the bedrock level and hardness of different layers of soil; (iv) site constraints and location; (v) our working relationship with the main contractor or customer in the past; (vi) our capacity; (vii) other specific requirements in the contract; and (viii) potential competition. However, it is often the case that actual site conditions are different from as expected since most of our works are carried out underground and cost saving or overrun may arise from the uncertainties. For example, drilling of a bore hole would be easier and faster if the soil is softer than expected and thus cost could be saved. Conversely, cost may be higher if the soil is harder than expected.

(ii) Competition

The level of competition for each construction project is subject to factors beyond our control, including, among others, the number of contractors invited to bid for the foundation project, our competitors' capacity and the nature and complexity of the works involved. If the level of competition of a particular project is low or if our competitors' tender prices are relatively high due to their own commercial decisions, we may be awarded the construction project even if our tender price is not particularly competitive. Under the pricing principles discussed above, our Group would generally apply higher quotation if our resources are tied up in projects on hand such that we could be better compensated for arranging extra resources.

FINANCIAL INFORMATION

(iii) *Cost control*

In general, once the contract is awarded and signed, the unit rates would be unadjusted throughout the entire contract period. Any material deviation of actual costs and the work programme from our original tendered rates will result in higher or lower direct costs and hence the gross profit margin.

Other income

The following table sets out the nature of other income of our Group during the Track Record Period:

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	176	—
Machinery rental	1,306	—
Interest income	*	*
Reversal of provision for additional tax	—	1,050
Sales of scrapped materials	8	—
Others	—	2
	1,490	1,052

* Represents an amount less than HK\$1,000.

Administrative expenses

Our administrative expenses consist primarily of staff costs, depreciation, legal and professional fee, rent and rates, insurance and listing expenses. The following table sets out the administrative expenses by nature during the Track Record Period:

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Staff costs	2,245	5,333
Depreciation	609	881
Listing expenses	—	3,756
Rent and rates	109	481
Legal and professional fee	428	810
Insurance	345	701
Others	1,223	2,157
	4,959	14,119

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Other operating expenses

Our other operating expenses primarily include our losses on written off of property, plant and equipment. For the years ended 31 March 2016 and 2017, our other operating expenses amounted to approximately HK\$108,000 and HK\$128,000, respectively.

Finance costs

The following table sets out our finance costs during the Track Record Period:

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Interest on:		
— bank borrowings	126	20
— bank overdrafts	*	2
— finance leases	154	144
	<u>280</u>	<u>166</u>

* Represents an amount less than HK\$1,000.

Income tax

During the Track Record Period, we were subject to Hong Kong Profits Tax for our projects work in Hong Kong. The statutory profits tax rate in Hong Kong was 16.5% on assessable profit during the Track Record Period. We have no tax payable in jurisdictions other than Hong Kong during the years ended 31 March 2016 and 2017. Our income tax expense comprised current tax expense and the deferred tax expense. Our effective tax rate during each of the years ended 31 March 2016 and 2017 was 16.3% and 22.8%, respectively.

For the year ended 31 March 2017, our effective tax rate was higher than the statutory tax rate as a result of the recognition of listing expenses which were non-deductible for tax.

Save for the incidents disclosed in the section headed “Business — Legal proceedings and legal compliance — Non-compliance with Inland Revenue Ordinance”, our Directors confirm that they were not aware of any disputes/unresolved tax issues with any tax authorities as at the Latest Practicable Date.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2017 compared with year ended 31 March 2016

Revenue

Our revenue increased by 34.6% from approximately HK\$86,604,000 for the year ended 31 March 2016 to approximately HK\$116,563,000 for the year ended 31 March 2017. Such increase was mainly attributable to the increase in revenue generated from the bored piles construction projects for the period of comparison.

In respect of the revenue generated from the bored piles construction projects, the following table sets forth the breakdown of our projects with the scales of respective revenue recognised for the years ended 31 March 2016 and 2017.

<u>Revenue recognised from bored piles construction projects</u>	<u>For the year ended 31 March</u>			
	<u>2016</u>		<u>2017</u>	
	Number of projects	HK\$'000	Number of projects	HK\$'000
More than HK\$20 million	1	27,936	—	—
HK\$10 million to HK\$20 million	1	15,486	4	51,640
Less than HK\$10 million	6	21,157	16	53,040
	<u>8</u>	<u>64,579</u>	<u>20</u>	<u>104,680</u>

Revenue from bored piles construction increased as number of projects increased. In particular, revenue from bored piles construction project for the year ended 31 March 2017 was driven by the significantly more number of smaller projects (i.e. each with revenue less than HK\$10 million and between HK\$10 million and HK\$20 million for the period) which in total generated approximately HK\$104,680,000, as compared to approximately HK\$36,643,000 for the year ended 31 March 2016. Our Group has undertaken more number of projects in order to replace the large scale project which generated revenue of approximately HK\$27,936,000 for the year ended 31 March 2016.

During the year ended 31 March 2017, one project of removal of obstructing piles contributed revenue amounted to approximately HK\$10,972,000. For the year ended 31 March 2016, four projects of removal of obstructing piles contributed revenue amounted to approximately HK\$21,388,000.

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Direct costs

Our cost of sales increased by 55.2% from approximately HK\$62,096,000 for the year ended 31 March 2016 to approximately HK\$96,363,000 for the year ended 31 March 2017. Such increase was higher than the revenue growth and was reflected by increase in expenses such as staff costs, costs of construction materials, subcontracting charges and transportation expenses as a result of the increasing construction activities of the projects undertaken for the period of comparison.

Gross profit and gross profit margin

Our gross profit decreased by 17.6% from approximately HK\$24,508,000 for the year ended 31 March 2016 to approximately HK\$20,200,000 for the year ended 31 March 2017. Despite the increase in the number of projects undertaken by us for the year ended 31 March 2017, those projects were at lower profit margin and lower average contract sum, resulting in a decrease in our total gross profit for the period of comparison. Our gross profit margin decreased from approximately 28.3% to 17.3% for the period under comparison. The decrease in gross profit margin was mainly because (i) one of our projects undertaken and completed during the year ended 31 March 2016 was particularly profitable and had a relatively large contract sum of approximately HK\$27.9 million, as the geological condition of the site was better than expected and we were able to achieve early completion of project with direct costs saved. The gross profit margin of this margin was 41.4% which is significantly higher than our Group's overall gross profit margin of 28.3% for the year; (ii) a removal of obstructing piles for a railway construction project undertaken for the year ended 31 March 2017 recorded a mere gross loss, due to the delayed handover of site to our Group, resulting in extra costs incurred. Other than the above project, we did not experience any material delay or cost overrun during the Track Record Period. Although a gross loss was recognised for the year ended 31 March 2017, such project was an overall profitable project; (iii) we enhanced the competitiveness of our quotations in view of the foreseeable completion of the large scale project. In the absence of similar large scale project, we undertook more smaller projects to replenish our project pipeline with normal profit margin instead of letting our machinery and labour idle; and (iv) as compared to large project, smaller projects with limited site area would incur more transportation subcontracting costs as multiple trips of machinery transportation were required and eroded some profit margin.

Our gross profit margin started to normalise to a lower level which is also comparable to overall gross profit margin shortly before the Track record Period after the completion of the abovementioned profitable large project. As reflected in the fourth quarter of the year ended 31 March 2016, revenue recognised during the period was approximately HK\$38,517,000 and gross profit approximately HK\$8,607,000, realising a gross profit margin of 22.3%.

Other income

Our other income decreased by 29.4% from approximately HK\$1,490,000 for the year ended 31 March 2016 to approximately HK\$1,052,000 for the year ended 31 March 2017. For the year ended 31 March 2016, other income was mainly contributed by the rental of our machineries to third party in the year ended 31 March 2016 and no such income was recognised as our Group did

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not lease out machineries with the higher internal demand for projects for the year ended 31 March 2017. In addition, there was a reversal of provision for additional tax of approximately HK\$1,050,000 for the year ended 31 March 2017 as a result of the finalised penalty from the IRD for the late tax filings. For details, please refer to the section headed “Business — Legal proceedings and legal compliance — Non compliance with Inland Revenue Ordinance” in this prospectus.

Administrative expenses

Our administrative expenses increased by 184.7% from approximately HK\$4,959,000 for the year ended 31 March 2016 to approximately HK\$14,119,000 for the year ended 31 March 2017. Such increase was due to (i) the increase in staff costs of approximately HK\$3,088,000 for bolstering our human resources, especially the recruitment of our senior management staff for our project management and accounting teams; and (ii) recognition of listing expenses of approximately HK\$3,756,000 for the year ended 31 March 2017.

Other operating expenses

Our other operating expenses increased by 18.5% from approximately HK\$108,000 for the year ended 31 March 2016 to approximately HK\$128,000 for the year ended 31 March 2017 primarily due to increase in amount of writing off of property, plant and equipment.

Finance costs

Our finance costs decreased by 40.7% from approximately HK\$280,000 for the year ended 31 March 2016 to approximately HK\$166,000 for the year ended 31 March 2017 primarily due to the repayment of bank borrowings.

Income tax

Our income tax expenses decreased by 53.7% from approximately HK\$3,370,000 for the year ended 31 March 2016 to approximately HK\$1,559,000 for the year ended 31 March 2017 as a result of the decrease in our profit before tax. Meanwhile, our effective tax rate increased from 16.3% for the year ended 31 March 2016 to 22.8% for the year ended 31 March 2017 and it was mainly due to the recognition of listing expenses which were not tax deductible.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year decreased by 69.4% from approximately HK\$17,281,000 for the year ended 31 March 2016 to approximately HK\$5,280,000 for the year ended 31 March 2017.

Meanwhile, our net profit margin also decreased from 20.0% for the year ended 31 March 2016 to 4.5% for the year ended 31 March 2017.

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LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary use of cash is to fund our operations and repayment of borrowings and related interest expenses. We have financed our operations through a combination of cash generated from operating activities and external borrowings. Upon completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt financing and the net proceeds from the issue of the Offer Shares. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

Cash flows

The following table sets forth our Group's cash flows for the periods indicated:

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Operating cash flow before working capital changes	<u>33,457</u>	<u>22,085</u>
Net cash generated from operating activities	29,928	18,954
Net cash used in investing activities	(16,450)	(17,206)
Net cash (used in)/generated from financing activities	<u>(18,524)</u>	<u>230</u>
Net (decrease)/increase in cash and cash equivalents	(5,046)	1,978
Cash and cash equivalents at beginning of the year	<u>5,697</u>	<u>651</u>
Cash and cash equivalents at the end of the year	<u><u>651</u></u>	<u><u>2,629</u></u>

Cash flows generated from operating activities

Our cash inflow from operating activities is principally derived from the receipts from the provision of bored piling works, other foundation projects as well as ancillary services. Our working capital requirements typically arise from materials and services from suppliers and settlement of our staff costs and subcontracting charges. During the Track Record Period, our net cash flows from operating activities represented profit before tax adjusted for income tax paid, interest paid, non-cash items and change in working capital.

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For the year ended 31 March 2017, our net cash generated from operating activities amounted to approximately HK\$18,954,000, as a result of operating cash inflow before movements in working capital of approximately HK\$22,085,000 adjusting for the increase in working capital of approximately HK\$2,651,000, interest payment of approximately HK\$166,000, and tax payment of approximately HK\$5,616,000. Net increase in working capital was primarily the combined effects of the following:

- (i) the increase in trade payables of approximately HK\$7,534,000;
- (ii) the increase in accruals and other payables of approximately HK\$9,107,000;
- (iii) the increase in trade and retention receivables of approximately HK\$11,446,000; and
- (iv) the increase in deposits, prepayments and other receivables of approximately HK\$2,298,000;

Explanations of fluctuation of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Discussion of certain consolidated statements of financial position items” in this section.

For the year ended 31 March 2016, our net cash generated from operating activities of approximately HK\$29,928,000, as a result of operating cash inflow before movements in working capital of approximately HK\$33,457,000 adjusting for the decrease in working capital of approximately HK\$2,421,000, interest payment of approximately HK\$280,000, and tax payment of approximately HK\$828,000. Net decrease in working capital was primarily the combined effects of the following:

- (i) the increase in trade and retention receivables of approximately HK\$9,218,000;
- (ii) the increase in trade payables of approximately HK\$1,439,000;
- (iii) the increase in amounts due to customers for contract work of approximately HK\$2,517,000; and
- (iv) the increase in amounts due to a related company of approximately HK\$1,590,000.

Explanations of fluctuation of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Discussion of certain consolidated statements of financial position items” in this section.

Cash flows used in investing activities

Our cash flows from investing activities principally include proceeds from disposal of property, plant and equipment, and payment for the purchase of property, plant and equipment.

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For the year ended 31 March 2017, net cash used in investing activities of approximately HK\$17,206,000 was due to the purchase of property, plant and equipment, mainly for the RCD rig, temporary steel casings as well as different drill bits.

For the year ended 31 March 2016, net cash used in investing activities of approximately HK\$16,450,000 was primarily due to the purchase of property, plant and equipment of approximately HK\$16,650,000, mainly for oscillator, RCD rig, temporary steel casings as well as different drill bits.

Cash flows (used in)/generated from financing activities

Our cash inflow from financing activities primarily includes the advance from our Directors, while our cash outflow from financing activities primarily includes repayment of bank borrowings, repayment of finance leases and to our Directors.

For the year ended 31 March 2017, we had net cash generated from financing activities of approximately HK\$230,000 which comprised the net bank borrowings of approximately HK\$3,651,000, the advance from our Directors of approximately HK\$2,115,000, less the repayment of finance leases of approximately HK\$5,536,000.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$18,524,000 which comprised the repayment of bank borrowings of approximately HK\$1,316,000, the repayment of finance leases of approximately HK\$10,200,000 and the repayment to our Directors of approximately HK\$6,662,000.

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Net current assets/liabilities

The following table sets forth details of our Group's current assets, current liabilities and net current assets/liabilities as at the dates indicated:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current assets			
Trade and retention receivables	31,338	42,784	36,129
Gross amounts due from customers for contract work	4,612	4,613	9,377
Deposits, prepayments and other receivables	278	2,576	3,647
Income tax recoverable	—	1,294	1,443
Bank and cash balances	651	2,629	8,988
	<u>36,879</u>	<u>53,896</u>	<u>59,584</u>
Current liabilities			
Trade and retention payables	16,499	19,173	24,643
Gross amounts due to customers for contract work	2,639	2,893	822
Accruals and other payables	7,087	17,244	13,762
Due to directors	1,595	8,570	357
Due to a related company	499	—	—
Bank borrowings	1,081	4,920	13,000
Finance lease payables	4,938	791	725
Current tax liabilities	4,013	17	825
	<u>38,351</u>	<u>53,608</u>	<u>54,134</u>
Net current (liabilities)/assets	<u>(1,472)</u>	<u>288</u>	<u>5,450</u>

We recorded net current liabilities of approximately HK\$1,472,000 as at 31 March 2016 as we have invested substantial funds generated from our operations in the capital expenditure of approximately HK\$23,053,000 for the year ended 31 March 2016, mainly on the acquisition of crawler cranes, oscillators, RCD rig, air compressor and temporary steel casings.

Our financial position changed from net current liabilities of approximately HK\$1,472,000 as at 31 March 2016 to net current assets of approximately HK\$288,000 as at 31 March 2017. The increase in net current assets was mainly due to the profit generated for the year which enhanced our net current assets base. Such increase was approximately in line with the profit for the year

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ended 31 March 2017, except certain profit was used to invest in our machinery and equipment, leading to the increase in property, plant and equipment of approximately HK\$4,514,000 for the year.

Our net current asset position was further increased to approximately HK\$5,450,000 as at 31 July 2017, primarily due to our profitable operation which enhance our overall net current assets base for the period.

DISCUSSION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

The following table sets out the respective carrying values of our Group's property, plant and equipment as at the respective dates as indicated:

	<u>Leasehold improvements</u>	<u>Plant and machinery</u>	<u>Casing and equipment</u>	<u>Motor vehicles</u>	<u>Furniture, fixture and office equipment</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at:						
31 March 2016	<u>50</u>	<u>35,798</u>	<u>22,022</u>	<u>1,493</u>	<u>—</u>	<u>59,363</u>
31 March 2017	<u>57</u>	<u>32,188</u>	<u>29,551</u>	<u>2,011</u>	<u>70</u>	<u>63,877</u>

As at 31 March 2016 and 2017, the net book value of our property, plant and equipment amounted to approximately HK\$59,363,000 and HK\$63,877,000, respectively. The increase in net book value from 31 March 2016 to 31 March 2017 was mainly due to the acquisition of our property, plant and equipment, in particular the casing. For details of our purchase and disposal of property, plant and equipment during the Track Record Period, please refer to Note 16 of Section II to the Accountants' Report in Appendix I to this prospectus.

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Trade and retention receivables

The following table sets out the breakdown of trade and retention receivables as at the dates indicated:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Trade receivables	25,173	34,342
Retention receivables	<u>6,165</u>	<u>8,442</u>
	<u>31,338</u>	<u>42,784</u>

Trade receivables

During the Track Record Period, our trade receivables represented amount receivables from our customers for the provision of our services, less any identified impairment losses.

As our business is project-based, our trade receivables were mainly affected by the actual works progress of our ongoing projects, the amounts certified and settled by the relevant customers as at the respective reporting dates.

Our trade receivables increased by approximately HK\$9,169,000 from approximately HK\$25,173,000 as at 31 March 2016 to approximately HK\$34,342,000 as at 31 March 2017. Such increase was in line with the increase of revenue as we have undertaken more projects during the year ended 31 March 2017, resulting in higher balance of trade receivables.

Ageing analysis of trade receivables

We generally offer our customers a credit period of within 7 to 46 days after our payment application is certified or approved. The following table sets forth the ageing analysis of our trade receivables, net of allowance for doubtful debts and based on progress payment, as at the end of the periods indicated:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
0–30 days	20,662	14,608
31–60 days	2,912	7,580
61 to 90 days	—	591
Over 90 days	<u>1,599</u>	<u>11,563</u>
	<u>25,173</u>	<u>34,342</u>

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To certain extent our trade receivables were concentrated to our largest debtors and the five largest debtors as illustrated in the table below for respective dates indicated:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Largest debtor	6,894	10,936
Five largest debtors	21,471	28,787

We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are reviewed regularly by our Directors.

In determining the recoverability of trade receivables, our Group assesses any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

Our Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicating that the balances may not be collectible. Our management closely reviews the trade receivables balance and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances. No provision for bad debt was made during the Track Record Period.

The following table sets forth the ageing analysis of trade receivables that are past due but not impaired for the respective date indicated:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Overdue by:		
0–30 days	4,350	5,600
31–60 days	1,423	107
61–90 days	125	4,986
Over 90 days	1,474	233
	7,372	10,926

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Receivables that were past due but not impaired related to a number of independent customers that have good track records with our Group. Our management believes that no impairment allowance is necessary in respect of these balances as there have not been any significant change in credit quality and the balances are still considered fully recoverable. Our Group does not hold any collateral over those balances.

As at the Latest Practicable Date, approximately HK\$32,600,000 or 94.9% of trade receivables as at 31 March 2017 were settled.

Trade receivables turnover days

The following table sets out the debtors' turnover days for the periods indicated:

	For the year ended 31 March	
	2016	2017
Debtors' turnover days (<i>Note</i>)	87.3 days	93.2 days

Note: Debtors' turnover days for the years ended 31 March 2016 and 2017 are equal to the average trade receivables, net of allowance for doubtful debts, divided by revenue and multiplied by 366 days for the year ended 31 March 2016 and 365 days for the year ended 31 March 2017. Average trade receivables are the average of trade receivables at the beginning of the year and trade receivables at the end of the year.

Our debtors' turnover days were approximately 87.3 days and 93.2 days for the years ended 31 March 2016 and 2017, respectively. The long debtors' turnover days were due to the substantial value of works being certified near the year end, resulting in a high ending balance of trade receivables. Despite the long debtors' turnover days as calculated, a significant proportion of our trade receivables were aged between 0 and 30 days as at 31 March 2016 and 2017 and our Directors believe that there were no significant change in credit quality in our trade receivables.

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Retention receivables

Retention receivables represent certified contract payments in respect of works performed, for which payments are withheld by our customers to secure our Group's due performance of the contracts. Typically, retention money is in general at approximately 5% to 10% of the value of works certified in each progress payment and is subject to a ceiling of around 5% of the total contract sum. For further details regarding retention money being withheld by our customers and its release, please refer to the section headed "Business — Customers, sales and marketing" of this prospectus.

Our retention receivables increased from approximately HK\$6,165,000 as at 31 March 2016 to approximately HK\$8,442,000 as at 31 March 2017 primarily due to the larger amount of work done as a result of the increase in the number of projects we undertook for the year ended 31 March 2017, leading to the increase in amount of retention money withheld by our customers.

The following table sets forth the ageing analysis of retention receivables that are past due but not impaired:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Up to 3 months	781	—
Over 3 months to 6 months	80	—
Over 6 months	<u>723</u>	<u>403</u>
	<u>1,584</u>	<u>403</u>

Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables comprised prepayments of expenses, rental deposits and deposits paid to suppliers. As at 31 March 2016 and 2017, our deposits, prepayments and other receivables amounted to approximately HK\$278,000 and HK\$2,576,000, respectively. Such increase was mainly due to the prepayment of the listing expenses in relation to the Listing and the rental deposits for our warehouse as well as our office.

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Amount due from/to customers for contract work

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work as at each reporting date during the Track Record Period:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Contracts in progress at the end of each of the reporting period:		
Contracts costs incurred plus recognised profits		
less recognised losses	47,364	51,385
Less: Progress billings	(45,391)	(49,665)
	1,973	1,720
Analysed for reporting purposes as:		
Amounts due from customers for contract work	4,612	4,613
Amounts due to customers for contract work	(2,639)	(2,893)
	1,973	1,720

The gross amounts due from/to customers for contract work are normally affected by (i) the amount of works handled by us at the time close to the end of each reporting period; (ii) the time when our customers certify our works done; or (iii) our progress billings for the projects, which can vary significantly from period to period.

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Due to a related company

The following table sets forth the details of the balance of due to a related company as at each reporting date during the Track Record Period:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Due from/(to) a related company:		
Master Top Limited		
— Trade nature	(3,428)	—
— Non-trade nature	<u>2,929</u>	<u>—</u>
	<u>(499)</u>	<u>—</u>

The balance due to a related company is unsecured, interest-free and to be settled on demand. On 29 December 2016, both Mr. Tang and Mr. Chui disposed of all their interests in Master Top Limited, being 25% and 25% share capital, to an independent third party and Master Top Limited ceased to be a related party since then.

Due to Directors

The following table sets forth the details of the balances of due to Directors as at each reporting date during the Track Record Period:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Due to Directors:		
Mr. Chui Koon Yau	1,111	2,400
Mr. Tang Kwai Leung, Stanley	<u>484</u>	<u>6,170</u>
	<u>1,595</u>	<u>8,570</u>

The balances of due to Directors are non-trade in nature, unsecured, interest-free and repayable on demand. The balances of due to Directors will be settled by our Group prior to the Listing by the internal resources generated from our operations.

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Trade payables

During the Track Record Period, our trade payables mainly represented amounts payable to our suppliers and subcontractors. The following table sets forth our trade payables as at each reporting date during the Track Record Period:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Trade payables	16,499	19,173

The following table sets out the ageing analysis of our trade payables as at each reporting date presented based on the invoice dates:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
0–30 days	4,204	5,729
31–60 days	3,494	4,158
61–90 days	924	1,675
Over 90 days	7,877	7,611
	16,499	19,173

As at the Latest Practicable Date, approximately HK\$14,561,000 or 75.9% of our trade payables as at 31 March 2017 were settled.

The following table sets out the creditors' turnover days for the periods indicated:

	For the year ended 31 March	
	2016	2017
Creditors' turnover days (<i>Note</i>)	93.0 days	67.6 days

Note: Creditors' turnover days for the year ended 31 March 2016 and 2017 are equal to the average trade payables divided by cost of sales and multiplied by 366 days for the year ended 31 March 2016 and 365 days for the year ended 31 March 2017. Average trade payables are the average of trade payables at the beginning of the year and trade payables at the end of the year.

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As at 31 March 2016 and 2017, our creditors' turnover days were approximately 93.0 days and 67.6 days, respectively. The decrease in creditors' turnover days was mainly due to the settlement with suppliers by our Directors during the year. In general, the fluctuation of the creditors' turnover days was mainly due to the different credit periods granted by different suppliers. We are generally granted a credit term ranging from 0 to 90 days from our suppliers.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Accruals	5,121	5,448
Other payables	1,966	11,796
	<u>7,087</u>	<u>17,244</u>

Accruals primarily represented accrued wages and the provisions of penalty for the late submission of the profits tax returns to the Inland Revenue Department, details of which are set out in the section headed "Business — Legal proceedings and legal compliance — Non-compliance with Inland Revenue Ordinance" of this prospectus. Other payables mainly represented the amount payable for the acquisition of machineries and casing equipment. As at 31 March 2016 and 2017, we had accruals and other payables of approximately HK\$7,087,000 and HK\$17,244,000, respectively, primarily due to the significant increase in payable for the acquisition of machineries and casing and equipment of approximately HK\$9,760,000.

RELATED PARTY TRANSACTIONS

Related party transactions

Set out in Note 31 to the financial information in the Accountants' Report and below are details of our related party transactions during the Track Record Period. Our Directors confirm that all such transactions were conducted on an arm's length basis and on normal commercial terms.

(I) *Transactions with Ms. Lam Ka Yi*

Triangular Force entered into tenancy agreements with Ms. Lam Ka Yi, the spouse of Mr. Tang, our executive Director, on 15 April 2014 and 1 May 2016, pursuant to which Ms. Lam Ka Yi agreed to lease a property to Triangular Force from 1 May 2014 to 30 September 2016. For the year ended 31 March 2016 and the year ended 31 March 2017, the rental

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payable to Ms. Lam Ka Yi amounted to approximately HK\$62,000 and HK\$31,000, respectively. According to an independent property valuer engaged by us, the rental payable to Ms. Lam Ka Yi was fair to our Group.

(II) *Master Top Limited*

Rental of machineries

We rented machineries from Master Top Limited, a machinery rental company, during the Track record Period. Master Top Limited had been owned as to 25% by Mr. Tang and 25% by Mr. Chui during the Track Record Period until 29 December 2016, on that day Mr. Tang and Mr. Chui disposed of their entire interests in Master Top Limited to an independent third party and since then Master Top Limited ceased to be our Group's related party. Mr. Tang and Mr. Chui confirmed that Master Top Limited was not involved in any material non-compliances, litigations/claims or exposed to any actual or contingent liabilities prior to disposal of their interest in Master Top Limited. The aggregate shareholding of both Mr. Tang and Mr. Chui did not give them absolute control of Master Top Limited. Therefore, instead of injecting Master Top Limited to our Group, Mr. Tang and Mr. Chui disposed of their interests in Master Top Limited and focus their time and efforts in developing the business of our Group.

For the year ended 31 March 2016 and the year ended 31 March 2017, the rental payable to Master Top Limited for leasing of machinery amounted to approximately HK\$1,093,000 and HK\$834,000, respectively, representing 1.8% and 0.9% of our total cost of sales for the period.

Having considered that the amounts of these related party transactions are immaterial as compared to the revenue generated by our Group, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

Related balances

Please refer to Notes 22 and 23 to the financial information in the Accountants' Report for details of balances with related parties.

FINANCIAL INFORMATION

STATEMENT OF INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current liabilities			
Due to Directors	1,595	8,570	357
Due to a related company	499	—	—
Bank borrowings — secured	1,081	—	—
Bank borrowings — unsecured	—	4,920	13,000
Finance lease payables	4,938	791	725
	<u>8,113</u>	<u>14,281</u>	<u>14,082</u>
Non-current liabilities			
Bank borrowings — secured	188	—	—
Finance lease payables	1,570	1,519	1,282
	<u>1,758</u>	<u>1,519</u>	<u>1,282</u>
Total	<u><u>9,871</u></u>	<u><u>15,800</u></u>	<u><u>15,364</u></u>

As at 31 July 2017, being the latest practicable date for the purpose of this indebtedness statement, our Group's indebtedness consisted of due to Directors, bank borrowings and finance lease payables of approximately HK\$357,000, HK\$13,000,000 and HK\$2,007,000, respectively. Except from bank borrowings which contain standard covenants that are commonly found in lending arrangements with commercial banks, there are no material covenants relating to our Group's outstanding debts.

As at 31 March 2016 and 2017, our Group had total indebtedness (comprising due to Directors, due to a related company, bank borrowings and finance lease payables) of approximately HK\$9,871,000 and HK\$15,800,000, respectively. The increase in total indebtedness as at 31 March 2017 compared with 31 March 2016 was mainly due to funds advanced from our Directors and the drawdown of newly obtained banking facilities from a bank. Thereafter, our Group's total indebtedness remained stable at approximately HK\$15,364,000 as at 31 July 2017.

Our Directors confirmed that we had not materially defaulted or delayed in payments of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date.

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As at 31 July 2017, our Group had unutilised banking facilities of approximately HK\$1,114,000 available for drawdown. Depending on our working capital need, our Group will seek bank financing for new projects upon award of new contracts.

Bank borrowings

Based on the scheduled repayment set out in the banking facility agreements, the maturity of obligations under bank borrowings was as follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Within one year	1,081	2,435	11,338
In the second year	188	2,485	1,662
	1,269	4,920	13,000
Less: Amount due for settlement within 12 months	(1,081)	(2,435)	(11,338)
	188	2,485	1,662
Represented by:			
Amount due for settlement after 12 months	188	—	—
Portion of bank borrowings that are due for repayment after one year but contain a repayment on demand clause (share under current liabilities)	—	2,485	1,662

Our Group had bank borrowings of approximately HK\$1,269,000, HK\$4,920,000 and HK\$13,000,000 as at 31 March 2016, 2017 and 31 July 2017, respectively. As at 31 March 2017 and 31 July 2017, the bank borrowings contained a repayment on-demand clause and classified as current liabilities in our consolidated financial statements according to Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause.

The average interest rates as at 31 March 2016, 2017 and 31 July 2017 were 6.50%, 2.0% and 2.7%, respectively.

All bank borrowings are denominated in Hong Kong dollar and are arranged at floating rates and exposed the Group to cash flow interest rate risk.

FINANCIAL INFORMATION

As at 31 March 2016, our Group's banking facilities are secured and guaranteed as follows:

- (i) Secured by plant and machinery of our Group of approximately HK\$3,629,000;
- (ii) Personal guarantees executed by Mr. Chui and Mr. Tang;
- (iii) Guarantees executed by the Government under Small and Medium Enterprise Loan Guarantee Scheme.

As at 31 March 2017 and 31 July 2017, our Group's banking facilities are guaranteed by Mr. Chui and Mr. Tang. All personal guarantees executed by Mr. Chui and Mr. Tang will be released upon the Listing.

Finance lease payable

It is our Group's policy to purchase certain of its property, plant and equipment under finance leases. In the consolidated statements of financial position, obligations under finance leases due for repayment after one year which contain repayment on demand clause were classified as current liabilities. The maturity of obligations under finance leases are as follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Minimum lease payment			
Within one year	5,042	885	805
In the second year	939	708	654
In the third to fifth years, inclusive	713	908	703
	6,694	2,501	2,162
Less: Future finance charges	(186)	(191)	(155)
Present value of lease obligation	6,508	2,310	2,007

FINANCIAL INFORMATION

The present values of finance lease liabilities are as follows:

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Within one year	4,938	791	725
In the second year	896	651	608
In the third to fifth years, inclusive	674	868	674
	6,508	2,310	2,007

The average lease term is 4 years, 4 years and 4 years for the year ended 31 March 2016, 2017 and for the four months ended 31 July 2017, respectively. As at 31 March 2016, 2017 and 31 July 2017, the average effective borrowing rate was 4.79%, 4.97% and 5.13%, respectively. As at 31 March 2016, 2017 and 31 July 2017, finance lease payables of approximately HK\$5,653,000, HK\$2,243,000 and HK\$2,007,000 bear fixed interest rate at the contract date and thus expose our Group to fair value interest rate risk. The remaining finance lease payables are arranged at floating rates and expose our Group to cash flow interest rate risk. At the end of each lease term, our Group has the option to purchase the property, plant and equipment at nominal prices.

None of the portion of finance lease payables due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

All finance lease payables are denominated in Hong Kong dollars.

As at 31 March 2016, 2017 and 31 July 2017, our Group's finance lease payables of HK\$491,000, HK\$1,445,000 and HK\$1,284,000 are guaranteed by Mr. Chui and Mr. Tang, respectively.

The corresponding lenders with finance lease granted to our Group as at the date of this prospectus have agreed in principle that the above personal guarantees will be released and replaced by corporate guarantees to be issued by our Company and all the pledged plant and machinery not owned by our Group after the disposal and acquisition by us pursuant to the Reorganisation.

Contingent liabilities

As at 31 March 2016, 2017 and 31 July 2017, our Group exposed to the liabilities under the Employees' Compensation Ordinance and common law for injuries at work in respect of all their employees. Our Directors have confirmed that during the Track Record Period, all our construction projects were covered and protected by the employees' compensation insurance and contractor's insurance taken out by the main contractor for the entire construction projects. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers

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working in the relevant construction site and the works performed by them in the relevant construction site. Other than that we had no material contingent liabilities noted during the Track Record Period and up to the Latest Practicable Date.

Disclaimer

Save as aforesaid and apart from normal trade payables, at the close of business on 31 July 2017, our Group did not have any loan capital issued or agreed to be issued, mortgage, charges, bank overdrafts, finance leases or hire purchase commitments, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

COMMITMENTS

Operating lease commitment

We leased certain office, warehouse and carparks under non-cancellable operating lease arrangement for a term of one to three years. The following table sets forth our commitments for future minimum lease payments as at the dates indicated:

	As at 31 March	
	2016	2017
	HK\$'000	HK\$'000
Within one year	28	2,670
In the second to fifth years inclusive	—	1,766
	<u>28</u>	<u>4,436</u>

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the periods indicated:

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Capital expenditures		
Property, plant and equipment	<u>23,053</u>	<u>18,544</u>

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Our capital expenditures during the Track Record Period principally consisted of expenditures on acquisitions of property, plant and equipment. For the years ended 31 March 2016 and 2017, we incurred capital expenditures of approximately HK\$23,053,000 and HK\$18,544,000, respectively, primarily used for purchase of (i) plant and machinery; (ii) casing and equipment; and (iii) motor vehicles.

SUMMARY OF KEY FINANCIAL RATIOS

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

	As at/for the year ended 31 March	
	2016	2017
Current ratio ⁽¹⁾	1.0	1.0
Quick ratio ⁽²⁾	1.0	1.0
Gearing ratio ⁽³⁾	19.7%	28.5%
Debt to equity ratio ⁽⁴⁾	18.4%	23.8%
Return on equity ⁽⁵⁾	34.5%	9.5%
Return on total assets ⁽⁶⁾	18.0%	4.5%
Interest coverage ⁽⁷⁾	74.8 times	42.2 times

Notes:

1. Current ratio is calculated as total current assets divided by total current liabilities.
2. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
3. Gearing ratio is calculated as total debt (summation of due to Directors, due to a related company, bank borrowings and finance leases payables) divided by total equity and multiplied by 100%
4. Debt to equity ratio is calculated as total debt (summation of amounts due to Directors, due to a related company, bank borrowings and finance leases payables) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity equals profit for the year divided by total equity of the relevant year and multiplied by 100%.
6. Return on assets equals profit for the year divided by total assets of the relevant year and multiplied by 100%.
7. Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.

FINANCIAL INFORMATION

Current ratio and quick ratio

Although our financial position improved to net current assets position, our current ratio and quick ratio remained stable at 1.0 as at 31 March 2016 and 2017 as we have invested our capital in machineries and casing.

Gearing ratio

Our gearing ratio increased from 19.7% as at 31 March 2016 to 28.5% as at 31 March 2017. Such increase was mainly due to the funds advanced from our Directors and the drawdown of newly obtained banking facilities from a bank, which resulted in an increase in our total debts by 60.1% as at 31 March 2017 as compared to 31 March 2016.

Debt to equity ratio

Our debt to equity ratio increased from approximately 18.4% as at 31 March 2016 to approximately 23.8% as at 31 March 2017 because of the increase in our total debts as at 31 March 2017 as explained above.

Return on equity

Our return on equity ratio decreased from 34.5% for the year ended 31 March 2016 to 9.5% for the year ended 31 March 2017. Such decrease was mainly due to the decrease in net profit for the year ended 31 March 2017 and the increase in our total equity as a result of the increase in accumulated reserves due to the profit generated throughout the year.

Return on total assets

Our return on total assets decreased from 18.0% for the year ended 31 March 2016 to 4.5% for the year ended 31 March 2017, mainly because of (i) the continuous investment in machineries and equipment which result in an increase in total assets; and (ii) the decrease in the profit for the year ended 31 March 2017 as a result of the increase in administrative expenses charged for the year of comparison.

Interest coverage

As a result of decrease in our profit before interest and tax due to the recognition of listing expenses for the year ended 31 March 2017 and our interest coverage decreased from approximately 74.8 times for the year ended 31 March 2016 to approximately 42.2 times for the year ended 31 March 2017.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Taking into consideration our Group's existing balance of cash and cash equivalent, cash flows from operations, availability of bank facility and estimated net proceeds from the Share Offer, our Directors are of the opinion that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

Credit risk

The credit risk of our Group is primarily attributable to the collectibility of our trade and retention receivables. In order to minimise credit risk, our Directors review the recoverable amount of each individual trade and retention receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

As at 31 March 2016 and 2017, there were 4 and 3 customers which individually contributed over 10% of our trade and retention receivables, respectively. The aggregate amounts of trade and retention receivables from these customers amounted to approximately 70% and 59% of our total trade and retention receivables as at 31 March 2016 and 2017, respectively.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

We have policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related parties are closely monitored by our Directors.

Liquidity risk

Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and long term.

Interest rate risk

Certain of our finance leases bear interests at floating interest rates and therefore are subject to interest rate risk.

FINANCIAL INFORMATION

Our exposure to cash flow interest rate risk arises from bank deposits and finance lease payables. These bank deposits and finance lease payables bear interests at variable rates varied with the then prevailing market conditions.

DIVIDENDS

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

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. Our Group did not declare and pay any dividend during the Track Record Period, but this may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

LISTING EXPENSES

Our estimated listing expenses primarily consist of legal and professional fees, including underwriting commission, in relation to the Listing. Assuming the Offer Price of HK\$0.28 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses are estimated to be approximately HK\$21,013,000, of which approximately HK\$7,421,000 is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$13,592,000 is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$3,756,000 were charged to the consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017 and approximately HK\$9,836,000 is expected to be incurred for the year ending 31 March 2018. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to the Track Record Period and according to the unaudited management accounts of our Group, our revenue for the three months ended 30 June 2017 increased as compared to the three months ended 30 June 2016, primarily due to significant portion of revenue contributed by the commencement of work of the bored piling project in Macau. As our Group continued to improve our net current assets position through the profit generated from operation.

FINANCIAL INFORMATION

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have secured six additional contracts with an aggregate initial contract sum of approximately HK\$37,362,000. As at the Latest Practicable Date, we had seven projects on hand (including contracts in progress as well as contracts that were awarded to us but not yet commenced). The aggregate contract sum of all contracts on hand is approximately HK\$108,862,000 and approximately HK\$16,954,000 of revenue has been recognised during the Track Record Period. We expect to recognise revenue of approximately HK\$87,781,000 and HK\$4,127,000 for the year ending 31 March 2018 and for the six months ending 30 September 2018, respectively, based only on our contracts on hand, the master programme and our Directors' estimate. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed "Business — Our bored piling projects" for further details.

We have used efforts to diversify our income source and pursue more profitable foundation works projects, such efforts included exploring business opportunities in Macau. One of the projects awarded in February 2017 is a bored piling project in Macau which has an initial contract sum of approximately MOP43.9 million. We have commenced operations for the Macau bored piling project as at the Latest Practicable Date and the project is expected to contribute revenue to our Group. During the Track Record Period, we have set up a new subsidiary, Ho Kit Construction, in Macau for carrying out foundation works in the city. When opportunities arise, while we primarily focus in our foundation business and our Directors actively submit quotations in Hong Kong, we may continue to bid for foundation projects in Macau in the future.

Following the Track Record Period, we have been continuously approached by customers for submitting quotations or tenders for new projects. In this regards, our Directors have been cautiously optimistic in preparing our quotations with an aim to expand our business. Our Directors confirm that there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this prospectus, other than the impact of listing expenses.

DISTRIBUTABLE RESERVES

As at 31 March 2017, our Company had no distributable reserves available for distribution to the equity holders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

FINANCIAL INFORMATION

DISCLOSURE REQUIREMENTS UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirements under Rule 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 31 March 2017 (being the date of our latest audited consolidated financial statements were made up). Apart from listing expenses, we expect there will be higher administrative expenses for the the appointment of the independent non-executive Directors as well as higher staff costs and higher finance costs after the Listing and our Directors are of the view that net profit of our Group for the year ending 31 March 2018 may be decreased. Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 March 2018.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our Group's financial or trading positions or prospect of our Company or its subsidiaries since 31 March 2017 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 March 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

BUSINESS OBJECTIVE AND USE OF PROCEEDS

BUSINESS OBJECTIVE

Our primary business objective is to strengthen our position to take in more foundation projects in order to broaden our income sources, expand our customer base and achieve sustainable growth.

BUSINESS STRATEGIES AND FUTURE PLANS

Please refer to the section headed “Business — Business strategies and future plans” of this prospectus for a detailed description of our business strategies and future plans.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestones events during the period from the Latest Practicable Date to 31 March 2020, and the respective scheduled completion time are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions of the business plans” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk Factors” of this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the time frame and that our future plans will be accomplished at all.

From the Latest Practicable Date to 31 March 2018

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Source of funds</u>
Expansion of our scope of services <i>(Note 1)</i>	Recruit 1 site agent, 1 quantity surveyor and 1 account manager to support our increasing foundation project works and business growth, as well as to support our quarterly reporting after the Listing	To be funded by net proceeds of the Share Offer of approximately HK\$0.8 million
Expansion of our capacity <i>(Note 2)</i>	Acquire 1 set of crawler crane, oscillator and RCD rig, with cost of approximately HK\$12.2 million, HK\$5.5 million and HK\$4.8 million, respectively	To be funded by net proceeds of the Share Offer of approximately HK\$4.5 million as 20% down payment, with remaining 80% financed by finance leases of 5 years (60 monthly instalments) <i>(Note)</i>
	Repayment of the new finance lease payables related to the abovementioned machinery acquisition	To be funded by net proceeds of the Share Offer of approximately HK\$2.6 million
		Subtotal: HK\$7.9 million

BUSINESS OBJECTIVE AND USE OF PROCEEDS

Notes:

1. The benefits of hiring an accounting manager after the Listing include the support to our Chief Financial officer in the quarterly reporting and other financial and business updates to Shareholders as required under the GEM Listing Rules, while the existing accounting staff will concentrate on maintaining accounting records and handling receivables and payables for our Company's construction projects.

With our Group's expansion plans for its scope and capacity, we expect to tender for and if awarded, undertake increasing number of projects, including those we will act as the main contractor. Site agent and quantity surveyor are essential roles in the project organisational structure of a main contractor where site agent is currently absent in our Group and our Group aims to strengthen our quantity survey capability.

A site agent is a technical competent person for site supervision and our Group expects that the site agent candidate can meet the qualification and experience of being the authorised signatory for Triangular Force, which is required for its status as a Registered Specialist Contractor in the foundation and site formation works categories. Our Directors also believe that a suitable site agent will improve the competency level for us act as a main contractor.

With regard to the quantity surveyor, the role involves important duties for contractual administration and contractual payment. Monthly payment application, subcontract payment and certification, subletting matters and final account settlement will also be handled by the quantity surveyor. Our Directors expect that the quantity surveyors will enhance our Group's process of tendering, subcontract management, and project execution to final account matters.

2. The crawler crane, oscillator and RCD rig will be capable of constructing bored piles of 3 m diameter. The acquisition will in effect enable our Group to construct one additional bored pile with largest diameter of 3 m simultaneously and hence enlarge our output when couple with our plant operators. Given the costs of the full set of a crawler crane, oscillator and RCD rig and the funds to be raised from the Share Offer, our Directors are of the view that, given (i) the net proceeds of the Share Offer, being approximately HK\$21.0 million, is less than the total costs of the required machinery, being approximately HK\$22.5 million; and (ii) the finance lease structure with acceptable interest rate is available, having considered also our working capital demand from current projects, the acquisition is expected to be financed by finance leases with 20% down payment for each of the machinery.

BUSINESS OBJECTIVE AND USE OF PROCEEDS

From 1 April 2018 to 30 September 2018

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Source of funds</u>
Expansion of our scope of services	Retain talents as recruited for this business strategy	To be funded by net proceeds of the Share offer of approximately HK\$0.8 million
Expansion of our capacity	Repayment of the new finance lease payables related to the abovementioned machinery acquisition	To be funded by net proceeds of the Share offer of approximately HK\$2.2 million
		Subtotal: HK\$3.0 million

From 1 October 2018 to 31 March 2019

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Source of funds</u>
Expansion of our scope of services	Retain talent as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$0.8 million
Expansion of our capacity	Repayment of the new finance lease payables related to the abovementioned machinery acquisition	To be funded by net proceeds of the Share Offer of approximately HK\$2.2 million
		Subtotal: HK\$3.0 million

From 1 April 2019 to 30 September 2019

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Source of funds</u>
Expansion of our scope of services	Retain talent as recruited for this business strategy	To be funded by net proceeds of the Share Offer of approximately HK\$0.8 million
Expansion of our capacity	Repayment of the new finance lease payables related to the abovementioned machinery acquisition	To be funded by net proceeds of the Share Offer of approximately HK\$2.2 million
		Subtotal: HK\$3.0 million

BUSINESS OBJECTIVE AND USE OF PROCEEDS

From 1 October 2019 to 31 March 2020

<u>Business strategy</u>	<u>Implementation activities</u>	<u>Source of funds</u>
Expansion of our scope of services	Retain talent as recruited for this business strategy	To be funded by net proceeds of the share offer of approximately HK\$0.2 million
Expansion of our capacity	Repayment of the new finance lease payables related to the abovementioned machinery acquisition	To be funded by net proceeds of the Share Offer of approximately HK\$1.9 million
		<u>Subtotal: HK\$2.1 million</u>
		<u><u>Total: HK\$19.0 million</u></u>

BASES AND KEY ASSUMPTIONS OF THE BUSINESS PLANS

Our business objective and strategies are based on the following general assumptions:

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong in which any members of our Group carries on or will carry on business and provides or will provide our services;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any places in which any members of our Group operates or is incorporated;
- (c) the Share Offer will be completed in accordance with as described in the section headed “Structure and Conditions of the Share Offer” of this prospectus;
- (d) we will be able to retain the key staff in the management and the professional team;
- (e) we will have sufficient financial resources to meet the planned capital expenditures and business development requirements during the period to which the business objective relates;
- (f) our Group is not materially and adversely affected by any risk factor set out in the section headed “Risk Factors” of this prospectus;
- (g) there are no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on our Group’s business and operating activities; and
- (h) we will be able to continue our operation in substantially the same way as we have been operating and we will also be able to carry out our development plans without disruption.

BUSINESS OBJECTIVE AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Directors believe that the Listing will enhance our profile and recognition, and hence our ability to attract new businesses. Our Directors consider that a listing on GEM signifies a degree of financial strength of our Group which in turn our Directors believe is an important factor to be taken into account by our customers in evaluating our tenders, especially for large scale projects and projects in the public sector. In a fragmented industry in which our Group operates, our Directors are of the view that a public listing status of our Group would offer extra confidence to our customers as they can obtain the public disclosure of our Group, for example, our financial information, but not from our competitors not publicly listed. According to the Ipsos Report, Hong Kong has about 323 foundation subcontractors in the foundation subcontracting industry in 2016. The number of foundation subcontractors listed on the Stock Exchange is far less and thus our Group is able to stand out from various unlisted and undistinguishable contractors which potential customers may not easily acquaint with. In addition, our Board is also of the view that although the estimated net proceeds from the Share Offer only amount to approximately HK\$21.0 million, the Listing and the Share Offer will provide our Company with additional avenues to raise capital for our future business expansion and long-term development, and expand and diversify our capital base and Shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of our Company. And despite the size of the net proceeds, in the capital intensive industry which we operate, the net proceeds from the Share Offer will strengthen our financial position and significantly relax our working capital pressure. In choosing between debt financing and equity financing, our Directors have taken into account that (i) the specific nature of the industry in which our Group operates that upfront cash outflow is often incurred and has to be in place quickly after our client has engaged us, that would make equity financing more appropriate as fund raised from issue of new Shares is committed source of fund without maturity and poised to be utilised anytime; (ii) our Group has from time to time obtained bank borrowings and further expansion of credit line may become more difficult; (iii) the increasing speculation that the interest rate in Hong Kong is set to rise and the use of debt financing in a material amount and the subsequent renewal of the debt would subject our Group to risk of increasing finance costs; and (iv) debt financing and equity financing are not mutually exclusive, but our Group may have a better position to bargain for more favourable terms from debt financiers with a larger equity base. Therefore, after careful evaluation of the different capital structures, our Directors decided to proceed with the Share Offer.

BUSINESS OBJECTIVE AND USE OF PROCEEDS

USE OF PROCEEDS

We intend to raise funds by the Share Offer in order to pursue our business objective as set out in the paragraph headed “Business objective” above in this section. Assuming Offer Price of HK\$0.28 per Offer Share, being the mid-point of the range of Offer Price the net proceeds from the Share Offer, after deducting related expenses, are estimated to be approximately HK\$21.0 million. We currently intend to apply such net proceeds from the Share Offer as follows:

	From the Latest Practicable Date to 31 March 2018	From 1 April 2018 to 30 September 2018	From 1 October 2018 to 31 March 2019	From 1 April 2019 to 30 September 2019	From 1 October 2019 to 31 March 2020	Total	% of net proceeds
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million	
Expansion of our scope of services	0.8	0.8	0.8	0.8	0.2	3.4	16.2%
Expansion of our capacity	7.1	2.2	2.2	2.2	1.9	15.6	74.3%
General working capital	2.0	—	—	—	—	2.0	9.5%
	<u>9.9</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>2.1</u>	<u>21.0</u>	<u>100.0%</u>

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range stated in this prospectus.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.34 per Offer Share, the net proceeds we receive from the Share Offer will increase by approximately HK\$8.4 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.22 per Offer Share, the net proceeds we receive from the Share Offer will decrease by approximately HK\$8.4 million.

To the extent that the net proceeds from the issue of the Offer Shares are not immediately required for the purposes above, it is the present intention of our Directors that such net proceeds will be placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong.

We will issue an announcement in accordance with the GEM Listing Rules requirement if there is any material change in the use of proceeds as described above.

UNDERWRITING

JOINT LEAD MANAGERS

Pacific Foundation Securities Limited
Frontpage Capital Limited

CO-MANAGERS

ChaoShang Securities Limited
Astrum Capital Management Limited

SOLE BOOKRUNNER

Pacific Foundation Securities Limited

PUBLIC OFFER UNDERWRITERS

Pacific Foundation Securities Limited
Frontpage Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering 15,000,000 Public Offer Shares (subject to reallocation) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the Capitalisation Issue); and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of Pacific Foundation (for itself and on behalf of Frontpage Capital and the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, Macau, the British Virgin Islands and the Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, Macau, the British Virgin Islands and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the British Virgin Islands and the Cayman Islands; or
 - (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or
 - (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
 - (iv) without prejudice to sub-paragraph (ii), (iii) and (v) to the sub-clause, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
 - (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
 - (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, Macau, the British Virgin Islands, or the Cayman Islands; or
 - (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group; or
 - (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
 - (ix) any statement contained in this Prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or

UNDERWRITING

- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the GEM Listing Rules; or
- (xii) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (xiii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group,

which in the sole and reasonable opinion of Pacific Foundation (for itself and on behalf of Frontpage Capital and the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

- (b) Pacific Foundation (for itself and on behalf of Frontpage Capital and the Public Offer Underwriters), the Sponsor or any of the Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) there has occurred any breach which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Lead Managers, the Sole Bookrunner, the Sponsor and/or any of the Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing,

then and in any such case, Pacific Foundation (for itself and on behalf of Frontpage Capital and the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules or pursuant to the Share Offer.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as permitted under the GEM Listing Rules, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Rule 13.18(1) of the GEM Listing Rules, or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Voluntary lock-up undertaking by our Controlling Shareholders

Apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have entered into a deed of lock-up undertaking on a voluntary basis in favour of our Company (for itself and for the benefit of each of its subsidiary).

Pursuant to the deed of lock-up undertaking, each of our Controlling Shareholders has undertaken to our Company and/or the Stock Exchange that, it/he will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is given to our Company and the Stock Exchange as required under Rule 13.16A of the GEM Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the GEM Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

Undertakings pursuant to the Public Offer Underwriting Agreement

(A) Undertakings by our Company

Our Company have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that our Company will except pursuant to the Capitalisation Issue the Share Offer and the exercise of the options that may be granted under the Share Option Scheme, not, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and subject to the provisions of the GEM Listing Rules:

- (a) not at any time from the date of this prospectus up to and including the date falling six months after the GEM Listing Date (the “**First Six-Month Period**”):
 - (i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition

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(whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;

- (ii) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer;
- (b) at any time within the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”) do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules); and
- (c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

(B) *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally agreed, represented, warranted and undertaken to the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters our Company that:

- (a) during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Sole Bookrunner or otherwise in compliance with the requirements of the GEM Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such

UNDERWRITING

Shares or such securities; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules;

- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the GEM Listing Rules) during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Without prejudice to the above provisions, each of our Controlling Shareholders has jointly and severally undertaken to the Sponsor, the Sole Bookrunner and the Public Offer Underwriters and our Company that within the First Six-Month Period and the Second Six-Month Period, he or it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Sole Bookrunner in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

UNDERWRITING

- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Sole Bookrunner in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the Public Offer Underwriting Agreement.

Public Offer Underwriters' Interests in our Company

Except for its obligations under the Public Offer Underwriting Agreement, the Public Offer Underwriters has no shareholding interest in us or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters on or about 9 October 2017. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers to subscribe for and/or purchase the Placing Shares being offered pursuant to the Placing, or failing which to subscribe for and/or purchase, their respective applicable proportions of such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

UNDERWRITING

It is expected that, pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Commission and expenses and the Sponsor’s fee

According to the terms and conditions of the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 7.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

Based on an Offer Price of HK\$0.28 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions (exclusive of any discretionary incentive fee (if any)), together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee and other expenses relating to the Share Offer to be borne by our Company is estimated to amount to approximately HK\$21,013,000 in aggregate. An aggregate amount of HK\$6,240,000 is payable by our Company as sponsor fees to the Sponsor for acting as the sponsor in the Share Offer.

Voluntary lock-up undertaking by our Controlling Shareholders

Apart from satisfying the lock-up requirement under Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have entered into a deed of lock-up undertaking on a voluntary basis in favour of our Company (for itself and for the benefit of each of its subsidiary).

Pursuant to the deed of lock-up undertaking, each of our Controlling Shareholders has undertaken to our Company and/or the Stock Exchange that, it/he will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is given to our Company and the Stock Exchange as required under Rule 13.16A of the GEM Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company’s independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances

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in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

Sponsor will receive a documentation fee. The Joint Lead Managers and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses and the Sponsor's fee" above.

We have appointed Frontpage Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sponsor and the Underwriters 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.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 150,000,000 Offer Shares will be made available under the Share Offer, of which 135,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 15,000,000 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 Underwriters has agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters 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” of this prospectus. Investors may apply for Offer 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 135,000,000 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 Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters 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 private 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. Private 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 would lead to the establishment of a solid shareholder base to the benefit of our Company and the 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 Sponsor, the Sole Bookrunner and the Joint Lead Managers 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Share Offer 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 15,000,000 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 Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.34 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Public Offer 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. Multiple applications or suspected multiple applications and any application made for more than 100% of the Shares initially comprised in the Public Offer (i.e. 15,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- a. if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 45,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- b. if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

- c. if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 75,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In each case, the additional Offer Shares reallocated to the Public Offer and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Sole Bookrunner deem appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) 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 around Monday, 9 October 2017.

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, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.22 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 may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private 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.beavergroup.com.hk notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Applicants who have submitted their applications for Public Offer Shares before such a notice is made may subsequently withdraw their applications in the event that such a notice is subsequently made. 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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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” of 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.beavergroup.com.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 our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), 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 our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

ANNOUNCEMENT OF THE OFFER PRICE AND BASIS OF ALLOCATIONS

Announcement of the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares is expected to be published on our Company’s website at www.beavergroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.34 per Offer Share and is expected to be not less than HK\$0.22 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.34 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,434.26 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.34 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 Public Offer Shares” of this prospectus.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

- (a) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;
- (b) the Price Determination Agreement between our Company and the Sole Bookrunner being entered into on or before the Price Determination Date; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (c) the obligations of the Joint Lead Managers, the Sole Bookrunner and the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Pacific Foundation (for itself and on behalf of the Underwriters), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreements,

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 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If any of the above conditions has not fulfilled or (where applicable) waived by the Sole Bookrunner (for itself and on behalf of the Underwriters) and the Underwriters on or before the day which is the 30 days after the date of this prospectus, the Share Offer shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.beavergroup.com.hk on the next business day after such lapse. The terms on which the application money will be returned to the applicants are set out in the section headed “How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on 16 October 2017. The Shares will be traded in board lot of 10,000 Shares each. The stock code of the Shares is 8275.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements will affect their rights and interests.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form 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** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a U.S. person (as defined in Regulation S).

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner, may accept it at its discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are an associate or a close associate (as defined in the GEM Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for or indicated an interest in any 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 copy of this prospectus during normal business hours from 9:00 a.m. on 29 September 2017 until 12:00 noon on 6 October 2017 from:

- (a) any of the following offices of the Joint Lead Managers:

<u>Name</u>	<u>Address</u>
Pacific Foundation Securities Limited	11th Floor New World Tower II 16–18 Queen's Road Central Hong Kong
Frontpage Capital Limited	26th Floor Siu On Centre 188 Lockhart Road Wan Chai Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	88 Des Voeux Road Branch Wanchai Southorn Branch	88 Des Voeux Road Central, Central Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156–162 Hennessy Road, Wanchai
Kowloon	Mei Foo Manhattan Branch	Shop Nos. 07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21–27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on 29 September 2017 until 12:00 noon on 6 October 2017 from:

- the Depository Counter of HKSCC at 1st Floor, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Horsford Nominees Limited — Beaver Group Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 September 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 30 September 2017 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 October 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 4 October 2017 — 9:00 a.m. to 5:00 p.m.
Friday, 6 October 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 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 are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sponsor, the Sole Bookrunner and the Joint Lead Managers, any of their respective directors, offices or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person

HOW TO APPLY FOR PUBLIC OFFER SHARES

on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR 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 Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Sponsor, the Sole Bookrunner and the Joint Lead Managers, and any of their respective directors, officers or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted 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 PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Sponsor, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

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- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 29 September 2017	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 3 October 2017	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 4 October 2017	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 6 October 2017	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 September 2017 until 12:00 noon on Friday, 6 October 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 6 October 2017, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 6 October 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*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** Application Form and **YELLOW** Application Form and have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Offer Price” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 6 October 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 6 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Friday, 13 October 2017 on our website at www.beavergroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers 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.beavergroup.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Friday, 13 October 2017;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 13 October 2017 to 12:00 midnight on Thursday, 19 October 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 October 2017 to Wednesday, 18 October 2017 (on a business day);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 13 October 2017 to Tuesday, 17 October 2017 at all the receiving banks’ designated branches listed above.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the 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 100% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.34 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Friday, 13 October 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 13 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 16 October 2017 provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 October 2017 or such other date as notified by us at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 13 October 2017, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above 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 Friday, 13 October 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 13 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply via electronic application instructions to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 13 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" above on Friday, 13 October 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Friday, 13 October 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 October 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-43, received from our Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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

29 September 2017

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEAVER GROUP (HOLDING) COMPANY LIMITED AND FRONTPAGE CAPITAL LIMITED

Introduction

We report on the historical financial information of Beaver Group (Holding) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-43, which comprises the consolidated statements of financial position as at 31 March 2016 and 2017, the statement of financial position of the Company as at 31 March 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated 29 September 2017 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016 and 2017, the Company's financial position as at 31 March 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of the Securities on the GEM of 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 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with the Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	For the year ended	
		31 March	
		2016	2017
		HK\$'000	HK\$'000
Revenue	7	86,604	116,563
Cost of sales		<u>(62,096)</u>	<u>(96,363)</u>
Gross profit		24,508	20,200
Other income	8	1,490	1,052
Administrative expenses		(4,959)	(14,119)
Other operating expenses		<u>(108)</u>	<u>(128)</u>
Profit from operations		20,931	7,005
Finance costs	10	<u>(280)</u>	<u>(166)</u>
Profit before tax		20,651	6,839
Income tax expense	11	<u>(3,370)</u>	<u>(1,559)</u>
Profit and total comprehensive income for the year attributable to owners of the Company	12	<u>17,281</u>	<u>5,280</u>
Earnings per share			
Basic and diluted	15	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	At 31 March	
		2016	2017
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	16	59,363	63,877
Current assets			
Trade and retention receivables	17	31,338	42,784
Gross amounts due from customers for contract work	18	4,612	4,613
Deposits, prepayments and other receivables		278	2,576
Income tax recoverable		—	1,294
Bank and cash balances	19	651	2,629
		<u>36,879</u>	<u>53,896</u>
Current liabilities			
Trade payables	20	16,499	19,173
Gross amounts due to customers for contract work	18	2,639	2,893
Accruals and other payables	21	7,087	17,244
Due to directors	22	1,595	8,570
Due to a related company	23	499	—
Bank borrowings	24	1,081	4,920
Finance lease payables	25	4,938	791
Current tax liabilities		4,013	17
		<u>38,351</u>	<u>53,608</u>
Net current (liabilities)/assets		<u>(1,472)</u>	<u>288</u>
Total assets less current liabilities		<u>57,891</u>	<u>64,165</u>
Non-current liabilities			
Bank borrowings	24	188	—
Finance lease payables	25	1,570	1,519
Deferred tax liabilities	26	5,976	7,209
		<u>7,734</u>	<u>8,728</u>
NET ASSETS		<u><u>50,157</u></u>	<u><u>55,437</u></u>

	<i>Note</i>	At 31 March	
		2016	2017
		HK\$'000	HK\$'000
Capital and reserves			
Share capital	27	22	*
Reserves	28	<u>50,135</u>	<u>55,437</u>
TOTAL EQUITY		<u><u>50,157</u></u>	<u><u>55,437</u></u>

* *The balance represents amount less than HK\$1,000.*

STATEMENT OF FINANCIAL POSITION

		<u>At 31 March</u>
	<i>Note</i>	<u>2017</u>
		<u>HK\$'000</u>
Non-current assets		
Investment in a subsidiary		<u>1</u>
Current assets		
Cash balances	19	<u>*</u>
Current liabilities		
Due to a subsidiary		<u>1</u>
NET ASSETS		
		<u><u>*</u></u>
Capital and reserves		
Share capital	27	<u>*</u>
Reserves		<u>—</u>
TOTAL EQUITY		
		<u><u>*</u></u>

* The balance represents amount less than HK\$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Share Capital</u>	<u>Retained Profits</u>	<u>Merger Reserve</u>	<u>Total Equity</u>
	HK\$'000 <i>(note 27)</i>	HK\$'000	HK\$'000 <i>(note 28b)</i>	HK\$'000
As at 1 April 2015	22	32,854	—	32,876
Total comprehensive income for the year	<u>—</u>	<u>17,281</u>	<u>—</u>	<u>17,281</u>
As at 31 March 2016 and 1 April 2016	22	50,135	—	50,157
Issuance of shares pursuant to the Group Reorganisation	*	—	—	*
Effect of the Group Reorganisation	(22)	—	22	—
Total comprehensive income for the year	<u>—</u>	<u>5,280</u>	<u>—</u>	<u>5,280</u>
As at 31 March 2017	<u><u>*</u></u>	<u><u>55,415</u></u>	<u><u>22</u></u>	<u><u>55,437</u></u>

* The balance represents amount less than HK\$1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended	
	31 March	
	2016	2017
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	20,651	6,839
Adjustments for:		
Depreciation	12,594	13,902
Finance costs	280	166
Reversal of provision for additional tax	—	1,050
Gain on disposals of property, plant and equipment	(176)	—
Loss on written off of property, plant and equipment	<u>108</u>	<u>128</u>
Operating cash flow before working capital changes	33,457	22,085
Increase in trade and retention receivables	(9,218)	(11,446)
Decrease/(increase) in amounts due from customers for contract work	637	(1)
Decrease/(increase) in deposits, prepayments and other receivables	325	(2,298)
Increase/(decrease) in due to a related company	1,590	(499)
Increase in trade payables	1,439	7,534
Increase in amounts due to customers for contract work	2,517	254
Increase in accruals and other payables	<u>289</u>	<u>9,107</u>
Cash generated from operations	31,036	24,736
Income taxes paid	(828)	(5,616)
Interest paid	<u>(280)</u>	<u>(166)</u>
Net cash generated from operating activities	<u>29,928</u>	<u>18,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(16,650)	(17,206)
Proceeds from disposals of property, plant and equipment	<u>200</u>	<u>—</u>
Net cash used in investing activities	<u>(16,450)</u>	<u>(17,206)</u>

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares pursuant to the Group Reorganisation	—	*
Bank borrowings raised	—	4,920
Repayment of finance lease payables	(10,200)	(5,536)
Repayment of bank borrowings	(1,316)	(1,269)
Decrease in due to a related company	(346)	—
(Decrease)/increase in due to directors	<u>(6,662)</u>	<u>2,115</u>
Net cash (used in)/generated from financing activities	<u>(18,524)</u>	<u>230</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(5,046)	1,978
Cash and cash equivalents at beginning of year	<u>5,697</u>	<u>651</u>
Cash and cash equivalents at end of year	<u><u>651</u></u>	<u><u>2,629</u></u>

* Represents the amount less than HK\$1,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 January 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108 Cayman Islands. The address of its principal place of business is Unit 1503, 15/F, Peninsula Square, No.18 Sung On Street, Hung Hom, Kowloon.

The Company is an investment holding company. The Group is principally engaged in provision of foundation works and ancillary services.

In the opinion of the directors of the Company, as at 31 March 2017, Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley are ultimate controlling parties of the Company (collectively known as the "Controlling Shareholders").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out below:

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal Activities
				At 31 March 2016	2017	
Directly held:						
Everest Enterprise Company Limited ("Everest Enterprise")	British Virgin Islands ("BVI")	24 January 2017	US\$100	—	100%	Investment holding
Indirectly held:						
Triangular Force Construction Engineering Limited ("Triangular Force")	Hong Kong	10 January 2008	HK\$10,000	100%	100%	Provision of foundation works and ancillary services
TMP Machinery Engineering Limited ("TMP Machinery")	Hong Kong	27 July 2010	HK\$10,000	100%	100%	Provision of management service for construction work
Longson Enterprise Development Company Limited ("Longson")	Hong Kong	11 August 2014	HK\$2,000	100%	100%	Provision of machinery rental service
濠傑建築工程一人有限 公司 ("Ho Kit Construction"*)	Macau	23 March 2017	MOP25,000	—	100%	Provision of foundation works and ancillary services

* The English name of the subsidiary is used for identification purpose only. The official name of this entity is in Chinese.

Except for Ho Kit Construction has adopted 31 December as the financial year end date, all the companies now comprising the Group have adopted 31 March as the financial year end date.

The statutory financial statements of Triangular Force, TMP Machinery, Longson for the Track Record Period were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and were audited by RSM Hong Kong, certified public accountants registered in Hong Kong in accordance with HKAs issued by the HKICPA.

No statutory financial statements have been prepared for the Company and Everest Enterprise for the Track Record Period as there is no statutory audit requirement in the country of its incorporation.

No statutory financial statements have been prepared for Ho Kit Construction for the Track Record Period as Ho Kit Construction has not reached the statutory time imposed on the issuance of its first set of statutory financial statements.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

In the preparation for the proposed listing of its shares on the GEM of the Stock Exchange (“Listing”), the Group has undergone the Group Reorganisation, as more fully explained in the section headed “History, Reorganisation and Group Structure” to the prospectus. Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 March 2017.

As the Group Reorganisation is undertaken to incorporate the Company as an ultimate holding company, the Group is a continuation of the existing group. The companies now comprising the Group were under common control of the Controlling Shareholders before and after the Group Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information of the Group has been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the Track Record Period include the results and cash flows of the companies now comprising the Group pursuant to the Group Reorganisation as if the Group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period.

The consolidated statements of financial position of the Group as at 31 March 2016 and 2017 have been prepared in accordance with the principles of merger accounting to present the assets and liabilities of the companies now comprising the Group as if the Group current structure had been in existence as at those dates.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Group in order to achieve consistency of the Group’s accounting policies.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

During the Track Record Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 April 2016.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the new and revised HKFRSs will be adopted in the Historical Financial Information when they become effective.

Amendments to HKAS 7	Disclosure initiative ¹
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other receivables. The directors do not expect the impact to be material however.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the Historical Financial Information and has identified the following areas that are likely to be affected:

Under HKFRS 15, an entity recognised revenue when (or as) a performance obligation is satisfied.

The Group currently recognises revenue from construction contracts over time by reference to the stage of completion of the contract activity as disclosed in note 4(e) in accordance with the requirements in HKAS 11 Construction Contracts. Under HKFRS 15 revenue is recognised over time only if specific criteria are met otherwise revenue is recognised at a point in time which may not be until completion.

The Group currently determines the stage of completion of construction contracts based on surveys of work performed under HKAS 11. Upon adoption of HKFRS 15 the Group will continue to use this output method to measure its progress towards complete satisfaction of those performance obligations satisfied over time.

HKFRS 15 also introduces new requirements on accounting for contract modifications (variations) and variable consideration (such as claims and incentive payments) which may impact the timing of revenue recognition over the contract period.

In addition, certain costs of obtaining construction contracts which are currently expensed may need to be capitalised.

The directors expect that the adoption of HKFRS 15 will not have a material impact on the Group's Historical Financial Information.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-

term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's leased premises are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 30, the Group's future minimum lease payments under non-cancellable operating leases for its leased premises amounted to HK\$4,436,000 as at 31 March 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investment in a subsidiary is stated at cost less allowance for impairment losses, if any.

(b) Foreign currency translation**(i) Functional and presentation currency**

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK\$, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are stated in the Historical Financial Information at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Shorter of 20% or over the lease term
Plant and machinery	12.5% to 20%
Casing and equipment	20%
Motor vehicles	30%
Furniture, fixture and office equipment	Shorter of 20% or over the lease term

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases*The Group as lessee***(i) Operating leases**

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statements of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured. If the variations have not agreed with customer, variations will be recognised only to the extent of contract cost incurred that it is probable will be recoverable.

Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the end of the reporting period are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statements of financial position as "Gross amounts due from customers for contract work". When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded in the consolidated statements of financial position as "Gross amounts due to customers for contract work". Progress billings not yet

paid by customers are included in the consolidated statements of financial position under "Trade and retention receivables". Amounts received before the related work is performed are included in the consolidated statements of financial position under "Accruals and other payables".

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(g) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Bank and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of bank and cash equivalents.

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Construction contract income

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 4(e) above.

(ii) Ancillary services income

Revenue from ancillary service income is recognised as services are rendered.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(n) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statements of profit or loss to its estimated recoverable amount. The recoverable amount 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(o) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade and retention receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade and retention receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade and retention receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(q) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of 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 discussed below.

(a) Revenue and profit recognition of construction contracts

As disclosed in note 4(e) to the Historical Financial Information, revenue recognition on a construction contract is dependent on management's estimation of the total outcome of the construction contracts, as well as the work done to date. The management reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations provided by contractors, suppliers or vendors involved and the experience of the management. In order to keep the budgets accurate and up-to-date, the management conducts periodic reviews of the budgets by comparing the budgeted amounts to the actual amounts incurred. When the final cost incurred by the Group is different from the amounts initially budgeted, such differences will impact revenue and the profit or loss recognised on the contracts. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provision amount.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which have an impact on the percentage of completion of contracts and profit or loss recognised.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amounts of property, plant and equipment as at 31 March 2016 and 2017 were HK\$59,363,000 and HK\$63,877,000 respectively.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability and the ageing of the trade and other receivables and gross amounts due from customers for contract work, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables, gross amounts due from customers for contract work and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 March 2016 and 2017, no accumulated impairment loss for bad and doubtful debts was made.

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year ended 31 March 2016 and 2017, HK\$3,370,000 and HK\$1,559,000 of income tax were charged to profit or loss based on the estimated profit respectively.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

The credit risk of the Group primarily attributable to its trade and retention receivables, in order to minimise credit risk, the directors review the recoverable amount of each individual trade and retention receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 31 March 2016 and 2017, there were 4 and 3 customers which individually contributed over 10% of the Group's trade and retention receivables respectively. The aggregate amounts of trade and retention receivables from these customers amounted to 70% and 59% of the Group's total trade and retention receivables as at 31 March 2016 and 2017 respectively.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related parties are closely monitored by the directors.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

The maturity analysis of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

At 31 March 2016	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	16,499	—	—	—	16,499	16,499
Accruals and other payables	5,633	—	—	—	5,633	5,633
Due to related company	499	—	—	—	499	499
Due to directors	1,595	—	—	—	1,595	1,595
Bank borrowings	1,132	189	—	—	1,321	1,269
Finance lease payables	5,042	939	713	—	6,694	6,508
	30,400	1,128	713	—	32,241	32,003
	30,400	1,128	713	—	32,241	32,003
At 31 March 2017	On demand or within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	19,173	—	—	—	19,173	19,173
Accruals and other payables	16,770	—	—	—	16,770	16,770
Due to directors	8,570	—	—	—	8,570	8,570
Bank borrowings	5,023	—	—	—	5,023	4,920
Finance lease payables	885	708	908	—	2,501	2,310
	50,421	708	908	—	52,037	51,743
	50,421	708	908	—	52,037	51,743

Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 March 2016 and 2017, the aggregate undiscounted principal amounts of these bank borrowings with a repayment on demand clause amounted to HK\$Nil and HK\$4,920,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$5,023,000.

(c) Interest rate risk

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to cash flow interest rate risk arises from its bank deposits and finance lease payables. These bank deposits and finance lease payables bear interests at variable rates varied with the then prevailing market condition. At 31 March 2016 and 2017, if interest rates at that date had been 50 basis points lower or higher with all other variables held constant, there is no significant change to the profit after tax for the year.

(d) **Categories of financial instruments of the Group at the end of each reporting period**

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
Financial assets:		
Loans and receivables (including bank and cash equivalents)	32,180	46,102
Financial liabilities:		
Financial liabilities at amortised cost	32,003	51,743

(e) **Fair values**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. **REVENUE**

An analysis of the Group's revenue is as follows:

	For the year ended	
	31 March	
	2016	2017
	HK\$'000	HK\$'000
Construction contract income	85,967	115,652
Ancillary service income	637	911
	<u>86,604</u>	<u>116,563</u>

8. **OTHER INCOME**

	For the year ended	
	31 March	
	2016	2017
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	176	—
Machinery rental	1,306	—
Interest income	*	*
Reversal of provision for additional tax	—	1,050
Sales of scrapped materials	8	—
Others	—	2
	<u>1,490</u>	<u>1,052</u>

* Represents the amount less than HK\$1,000.

9. SEGMENT INFORMATION

Operating segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

As the Group is principally engaged in the provision of foundation work and ancillary services in Hong Kong, which are subject to similar business risks, and resources are allocated based on what is beneficial to the Group in enhancing the value of the Group as a whole, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of Hong Kong Financial Reporting Standard 8 "Operating Segments".

Geographical information

- (a) The Group's revenue from external customers during the Track Record Period are located in Hong Kong.
- (b) The non-current assets asset information below is based on the locations of the assets and excluded deferred tax assets.

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
Hong Kong	59,363	52,515
Macau	—	11,362
	<u>59,363</u>	<u>63,877</u>

The project engaged in Macau is not yet commenced as at 31 March 2017.

Revenue from major customers

The Group's customer base for whom transactions have exceeded 10% of its revenue during the Track Record Period is set out as below:

	For the year ended	
	31 March	
	2016	2017
	HK\$'000	HK\$'000
Customer 1	11,107	31,500
Customer 2	N/A ¹	15,554
Customer 3	16,667	12,382
Customer 4	27,936	N/A ¹
Customer 5	<u>13,038</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of total revenue of the Group.

10. FINANCE COSTS

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Interest on:		
— bank borrowings	126	20
— bank overdrafts	*	2
— finance lease	154	144
	<u>280</u>	<u>166</u>

* Represents the amount less than HK\$1,000.

11. INCOME TAX EXPENSE

	For the year ended 31 March	
	2016	2017
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	1,758	375
Over-provision in prior years	—	(49)
	1,758	326
Deferred tax (note 26)	1,612	1,233
	<u>3,370</u>	<u>1,559</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit during the Track Record Period.

No provision for Macau Profits Tax is required since the Group has no assessable profit for the year ended 31 March 2017 in Macau.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	For the year ended	
	31 March	
	2016	2017
	HK\$'000	HK\$'000
Profit before tax	20,651	6,839
Tax at the domestic income tax rate of 16.5%	3,407	1,128
Tax effect of expenses that are not deductible	8	672
Tax effect of income that is not taxable	(19)	(173)
Tax effect of temporary differences not recognised	(6)	21
Over-provision in prior years	—	(49)
Tax reduction	(20)	(40)
Income tax expense	3,370	1,559

12. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	Note	For the year ended	
		31 March	
		2016	2017
		HK\$'000	HK\$'000
Auditor's remuneration		300	300
Costs of construction materials	(a)	12,406	26,268
Depreciation		12,594	13,902
Add: Amount included in amounts due from customers for contract work		231	91
	(b)	12,825	13,993
Gain on disposal of property, plant and equipment		(176)	—
Loss on written off of property, plant and equipment		108	128
Operating lease charges			
— Land and buildings	(c)	664	2,054
Reversal of provision for additional tax		—	(1,050)
Staff costs including directors' emoluments			
— Salaries, bonuses, allowances and other benefits		22,197	30,467
— Retirement benefits scheme contributions		662	984
	(d)	22,859	31,451
Listing expenses		—	3,756

Notes:

(a) The amounts were included in cost of sales for the Track Record Period.

- (b) The amounts included in cost of sales for the year ended 31 March 2016 and 2017 amounted to HK\$12,216,000 and HK\$13,112,000 respectively.
- (c) The amounts included in cost of sales for the year ended 31 March 2016 and 2017 amounted to HK\$569,000 and HK\$1,579,000 respectively.
- (d) The amounts included in cost of sales for the year ended 31 March 2016 and 2017 amounted to HK\$20,614,000 and HK\$26,118,000 respectively.

13. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION)

	<i>Note</i>	<u>For the year ended 31 March</u>	
		<u>2016</u>	<u>2017</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>
Salaries, bonuses, allowances and other benefits		22,197	30,467
Retirement benefits scheme contributions	(a)	662	984
		<u>22,859</u>	<u>31,451</u>

Notes:

- (a) Retirement benefits scheme contributions:

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

- (b) Directors' emoluments:

The emoluments of each director were as follows:

<u>Name of director</u>	<u>Fees</u>	<u>Salaries, bonuses, allowances and other benefits</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
For the year ended 31 March 2016				
Mr. Chui Koon Yau	—	840	18	858
Mr. Tang Kwai Leung, Stanley	—	840	18	858
	—	<u>1,680</u>	<u>36</u>	<u>1,716</u>
For the year ended 31 March 2017				
Mr. Chui Koon Yau	—	858	18	876
Mr. Tang Kwai Leung, Stanley	—	858	18	876
	—	<u>1,716</u>	<u>36</u>	<u>1,752</u>

Mr. Cheung Chung Chuen George, Mr. Leung Wai Hung and Mr. Law Ching Ning Paschal were appointed as the independent non-executive directors of the Company on 22 September 2017. During the Track Record Period, they had not yet been appointed and did not receive the director's remuneration in their capacity of independent non-executive directors.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

(c) Five highest paid individuals:

The five highest paid individuals in the Group during the Track Record Period included two directors whose emoluments are reflected in the analysis presented above. The aggregate emoluments of the remaining individuals are set out below:

	<u>For the year ended 31 March</u>	
	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Basic salaries, bonuses, allowances and other benefits	2,175	2,548
Retirement benefits scheme contributions	<u>54</u>	<u>44</u>
	<u>2,229</u>	<u>2,592</u>

The emoluments fell within the following bands:

	<u>Number of individuals</u>	
	<u>For the year ended 31 March</u>	
	<u>2016</u>	<u>2017</u>
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>1</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividends have been declared by any of the companies comprising the Group during the Track Record Period.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the Group Reorganisation and the preparation of the results of the Group for the Track Record Period as disclosed in note 2 to the Historical Financial Information.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Casing and equipment	Motor vehicles	Furniture, fixture and office equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
As at 1 April 2015	247	34,353	27,801	1,958	—	64,359
Additions	—	13,350	8,329	1,374	—	23,053
Disposals	—	—	—	(1,009)	—	(1,009)
Written off	—	—	(158)	—	—	(158)
As at 31 March 2016 and 1 April 2016	247	47,703	35,972	2,323	—	86,245
Additions	76	2,681	14,358	1,338	91	18,544
Written off	(247)	—	(359)	—	—	(606)
As at 31 March 2017	76	50,384	49,971	3,661	91	104,183
Accumulated depreciation						
As at 1 April 2015	148	6,115	7,805	1,255	—	15,323
Charge for the year	49	5,790	6,195	560	—	12,594
Disposals	—	—	—	(985)	—	(985)
Written off	—	—	(50)	—	—	(50)
As at 31 March 2016 and 1 April 2016	197	11,905	13,950	830	—	26,882
Charge for the year	40	6,291	6,730	820	21	13,902
Written off	(218)	—	(260)	—	—	(478)
As at 31 March 2017	19	18,196	20,420	1,650	21	40,306
Carrying amount						
As at 31 March 2016	50	35,798	22,022	1,493	—	59,363
As at 31 March 2017	57	32,188	29,551	2,011	70	63,877

At 31 March 2016 and 2017, the carrying amount of property, plant and equipment held by the Group under finance leases amounted to HK\$14,207,000 and HK\$4,126,000 respectively.

At 31 March 2016 and 2017, the carrying amount of property, plant and equipment pledged as security for the Group's borrowings amounted to HK\$3,629,000 and HK\$Nil respectively.

17. TRADE AND RETENTION RECEIVABLES

	Note	At 31 March	
		2016	2017
		HK\$'000	HK\$'000
Trade receivables	(a)	25,173	34,342
Retention receivables (Note)	(b)	6,165	8,442
		<u>31,338</u>	<u>42,784</u>

Note: Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycles.

- (a) The Group's trade receivables represent progress billings receivables from contract customers. The general credit terms of trade receivables were within 7–46 days. Application for progress payment of contract works is made on a regular basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by directors.

The ageing analysis of trade receivables, based on the progress payment, is as follows:

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
0 to 30 days	20,662	14,608
31 to 60 days	2,912	7,580
61 to 90 days	—	591
Over 90 days	1,599	11,563
	<u>25,173</u>	<u>34,342</u>

At 31 March 2016 and 2017, trade receivables of HK\$7,372,000 and HK\$10,926,000 were past due but not impaired respectively. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follow:

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
0 to 30 days	4,350	5,600
31 to 60 days	1,423	107
61 to 90 days	125	4,986
Over 90 days	1,474	233
	<u>7,372</u>	<u>10,926</u>

The carrying amounts of the Group's trade receivables are denominated in Hong Kong dollars.

- (b) Retention receivables represent certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects.

As at 31 March 2016 and 2017, retention receivables of HK\$1,584,000 and HK\$403,000 were past due but not impaired respectively. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these retention receivables is as follows:

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000
Up to 3 months	781	—
Over 3 months to 6 months	80	—
Over 6 months	<u>723</u>	<u>403</u>
	<u>1,584</u>	<u>403</u>

The carrying amounts of the Group's retention receivables are denominated in Hong Kong dollars.

18. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits less recognised losses to date	47,364	51,385
Less: Progress billings	<u>(45,391)</u>	<u>(49,665)</u>
	<u>1,973</u>	<u>1,720</u>
Gross amounts due from customers for contract work	4,612	4,613
Gross amounts due to customers for contract work	<u>(2,639)</u>	<u>(2,893)</u>
	<u>1,973</u>	<u>1,720</u>

19. BANK AND CASH BALANCES

Group

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000
Bank and cash balances	<u>651</u>	<u>2,629</u>

Company

	<u>At 31 March</u>
	<u>2017</u>
	<u>HK\$'000</u>
Cash balances	<u><u>*</u></u>

Bank and cash balances are denominated in Hong Kong dollars.

* *The balance represents amount less than HK\$1,000.*

20. TRADE PAYABLES

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Trade payables	<u>16,499</u>	<u>19,173</u>

The ageing analysis of trade payables, based on the invoice date, is as follows:

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
0 to 30 days	4,204	5,729
31 to 60 days	3,494	4,158
61 to 90 days	924	1,675
Over 90 days	<u>7,877</u>	<u>7,611</u>
	<u>16,499</u>	<u>19,173</u>

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

21. ACCRUALS AND OTHER PAYABLES

		<u>At 31 March</u>	
	<i>Note</i>	<u>2016</u>	<u>2017</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>
Accruals	<i>(a)</i>	5,121	5,448
Other payables		<u>1,966</u>	<u>11,796</u>
		<u>7,087</u>	<u>17,244</u>

Note:

- (a) Triangular Force was late in submission of its Profits Tax Returns for the years of assessment 2011/12 to 2014/15. The Inland Revenue Department ("IRD") issued various estimated assessments to Triangular Force and Triangular Force settled the tax charged under the estimated tax assessments. As Triangular Force's actual tax liability for the year of assessment 2014/15 was higher than the tax charged under the estimated tax

assessments, the IRD might impose penalty for this year. The directors had estimated the penalty in the accruals based on the IRD's published additional tax policy and are of the opinion that adequate penalty provision was made in the financial statements.

The IRD had reviewed Triangular Force's position and no penalty was imposed for the years of assessment 2011/12, 2012/13 and 2013/14. For the year of assessment 2014/15, the IRD imposed an additional tax of HK\$204,000 on 31 May 2017. As a result, a reversal of additional tax of HK\$1,050,000 was made for the year ended 31 March 2017.

22. DUE TO DIRECTORS

Amounts due to directors disclosed are as follows:

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000
Mr. Chui Koon Yau	1,111	2,400
Mr. Tang Kwai Leung, Stanley	<u>484</u>	<u>6,170</u>
	<u>1,595</u>	<u>8,570</u>

The amounts due are denominated in Hong Kong dollars and are unsecured, interest free and repayable on demand.

23. DUE TO A RELATED COMPANY

Amount due to a related company disclosed is as follows:

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	HK\$'000	HK\$'000
Master Top Limited		
Trade nature:	(3,428)	—
Non-trade nature:	<u>2,929</u>	<u>—</u>
	<u>(499)</u>	<u>—</u>

Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley, directors of the Company and its subsidiaries, have beneficial interests in the above company.

The amount due to a related company is denominated in Hong Kong dollars and are unsecured, interest free and repayable on demand.

24. BANK BORROWINGS

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
Bank borrowings — secured (<i>note a</i>)	1,269	—
Bank borrowings — unsecured (<i>note b</i>)	—	4,920
	<u>1,269</u>	<u>4,920</u>

In the consolidated statements of financial position, bank borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities. Based on the scheduled repayment set out in the banking facility agreements, the maturity of obligations under bank borrowings was as follows:

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
Within one year	1,081	2,435
In the second year	<u>188</u>	<u>2,485</u>
	1,269	4,920
Less: Amount due for settlement within 12 months	<u>(1,081)</u>	<u>(2,435)</u>
	<u>188</u>	<u>2,485</u>
Represented by:		
Amount due for settlement after 12 months	<u>188</u>	<u>—</u>
Portion of bank borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>—</u>	<u>2,485</u>

Note (a): The borrowings were secured by the plant and machinery of the Group of HK\$3,629,000 as at 31 March 2016. The interest expense is charged at Hong Kong Prime Rate plus 1.5% per annum. The borrowings were fully settled in August 2016.

The bank borrowings are guaranteed by:

- (i) Personal guarantees executed by Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley, directors of the Company and its subsidiaries.
- (ii) Guarantees executed by the Government of Hong Kong Special Administrative Region under Small and Medium Enterprise (SME) Loan Guarantee Scheme.

None of the portion of bank borrowings due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

Note (b): The bank borrowings are guaranteed by:

- (i) Personal guarantees executed by Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley, directors of the Company and its subsidiaries.

The bank borrowings containing an on-demand clause have been classified as current liabilities.

The average interest rates per annum at 31 March 2016 and 2017 were as follows:

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
Bank borrowings	<u>6.5%</u>	<u>2.0%</u>

All bank borrowings are denominated in Hong Kong dollar and are arranged at floating rates and exposed the Group to cash flow interest rate risk.

25. FINANCE LEASE PAYABLES

In the consolidated statements of financial position, obligations under finance leases due for repayment after one year which contain repayment on demand clause were classified as current liabilities. The maturity of obligations under finance leases are as follows:

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>At 31 March</u>		<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Within one year	5,042	885	4,938	791
In the second year	939	708	896	651
In the third to fifth years, inclusive	<u>713</u>	<u>908</u>	<u>674</u>	<u>868</u>
	6,694	2,501	6,508	2,310
Less: Future finance charges	<u>(186)</u>	<u>(191)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>6,508</u>	<u>2,310</u>	6,508	2,310
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(4,938)</u>	<u>(791)</u>
Amount due for settlement after 12 months			<u>1,570</u>	<u>1,519</u>

All finance lease payables are denominated in Hong Kong dollars.

At 31 March 2016 and 2017, the Group's finance lease payables of HK\$491,000 and HK\$1,445,000 are guaranteed by Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley, directors of the Company and its subsidiaries.

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 4 years and 4 years for the year ended 31 March 2016 and 2017 respectively. At 31 March 2016 and 2017, the average effective borrowing rate was 4.79% and 4.97% respectively. As at 31 March 2016 and 2017, finance lease payables of HK\$5,653,000 and HK\$2,243,000 bear fixed interest rate at the contract date and thus expose the Group to fair

value interest rate risk. The remaining finance lease payables are arranged at floating rates and expose the Group to cash flow interest rate risk. At the end of each lease term, the Group has the option to purchase the property, plant and equipment at nominal prices.

None of the portion of finance lease payables due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

26. DEFERRED TAX

The following are the deferred tax assets/(liabilities) recognised by the Group.

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2015	(5,266)	902	(4,364)
Credit/(charge) for the year (<i>note 11</i>)	<u>(1,737)</u>	<u>125</u>	<u>(1,612)</u>
As at 31 March 2016 and 1 April 2016	(7,003)	1,027	(5,976)
Charge for the year (<i>note 11</i>)	<u>(998)</u>	<u>(235)</u>	<u>(1,233)</u>
As at 31 March 2017	<u><u>(8,001)</u></u>	<u><u>792</u></u>	<u><u>(7,209)</u></u>

The following is the analysis of the deferred tax balances for consolidated statements of financial position purposes:

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
Deferred tax assets	1,027	792
Deferred tax liabilities	<u>(7,003)</u>	<u>(8,001)</u>
	<u><u>(5,976)</u></u>	<u><u>(7,209)</u></u>

As at 31 March 2016 and 2017, the Group has unused tax losses of HK\$6,226,000 and HK\$4,805,000 respectively available for offset against future profits. As at 31 March 2016 and 2017, a deferred tax asset has been recognised in respect of HK\$6,226,000 and HK\$4,805,000 of such losses respectively. Unused tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

Group

Prior to the completion of the Group Reorganisation, the share capital as presented in the consolidated statements of financial position as at 31 March 2016 represented the aggregate of issued and fully paid share capital of Triangular Force, TMP Machinery and Longson, subsidiaries of the Company, of 10,000, 10,000 and 2,000 ordinary share of HK\$1 each respectively.

Group and Company

	<i>Note</i>	<u>Number of shares</u>	<u>Amount</u> HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
Upon incorporation on 3 January 2017		38,000,000	380
At 31 March 2017		<u>38,000,000</u>	<u>380</u>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
Upon incorporation on 3 January 2017	<i>(a)</i>	10,000	*
Effect of the Group Reorganisation	<i>(b)</i>	<u>6,000</u>	<u>*</u>
At 31 March 2017		<u>16,000</u>	<u>*</u>

* Represent the amount less than HK\$1,000.

- (a) Upon incorporation of the Company on 3 January 2017, one nil-paid share was allotted and issued to the initial subscriber at par value of HK\$0.01 each, which was transferred to C3J Development Limited, a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Tang Kwai Leung, Stanley, at par value of HK\$0.01 each on the same day.

Pursuant to the Reorganisation Agreement, the Company issued and allotted 4,999 and 5,000 nil-paid shares to C3J Development Limited and Hunter Corporate Limited which is wholly-owned by Mr. Tang Kwai Leung, Stanley and Mr. Chui Koon Yau respectively at par value of HK\$0.01 on 3 January 2017.

- (b) The Company further issued and allotted 3,000 and 3,000 shares to C3J Development Limited and Hunter Corporate Limited respectively at par value of HK\$0.01 each on 27 January 2017 that Everest Enterprise acquired 10,000, 10,000 and 2,000 ordinary shares of Triangular Force, TMP Machinery and Longson from the Controlling Shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio, which is the total borrowings divided by the total equity of the Company. The total borrowings include finance lease payables and bank borrowings.

The gearing ratios at the end of each reporting period were as follows:

	At 31 March	
	2016	2017
	HK\$'000	HK\$'000
Due to directors	1,595	8,570
Due to a related company	499	—
Finance lease payables	6,508	2,310
Bank borrowings	1,269	4,920
	<u>9,871</u>	<u>15,800</u>
Total debts	<u>9,871</u>	<u>15,800</u>
	<u>50,157</u>	<u>55,437</u>
Total equity	<u>50,157</u>	<u>55,437</u>
	<u>19.7%</u>	<u>28.5%</u>
Gearing ratio	<u>19.7%</u>	<u>28.5%</u>

28. RESERVES

(a) Reserves of the Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

The merger reserve as at 31 March 2017 represented the aggregate of paid-in capital of Triangular Force, TMP Machinery and Longson, subsidiaries of the Company, of 10,000, 10,000 and 2,000 ordinary shares of HK\$1 each respectively.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transaction

Additions to property, plant and equipment for the year ended 31 March 2016 and 2017 amounted to HK\$6,403,000 and HK\$1,338,000 respectively were financed by finance leases.

During the year ended 31 March 2017, the amounts of HK\$2,430,000 and HK\$2,430,000 due to creditors were assigned by the creditors of the Group to Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley respectively, directors of the Company and its subsidiaries (Note 31(b)).

30. LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<u>At 31 March</u>	
	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Within one year	28	2,670
In the second to fifth years inclusive	—	1,766
	<u>28</u>	<u>4,436</u>

Operating lease payments mainly represent rentals payable by the Group for certain of its offices, warehouses and car parks. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

31. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere to the Historical Financial Information, the Group had the following transactions with the related parties during the Track Record Period:

<u>Related party</u>	<u>Nature of transaction</u>	<u>For the year ended 31 March</u>	
		<u>2016</u>	<u>2017</u>
		<u>HK\$'000</u>	<u>HK\$'000</u>
Ms. Lam Ka Yi (<i>Note i</i>)	Office rental expenses charged by a related party	<u>62</u>	<u>31</u>
Master Top Limited (<i>Note ii</i>)	Rental expenses charged by a related company	<u>1,093</u>	<u>834</u>

Notes:

- (i) Ms. Lam Ka Yi is the spouse of Mr. Tang Kwai Leung, Stanley, director of the Company and its subsidiaries.
- (ii) Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley, directors of the Company and its subsidiaries, have beneficial interest in a related company. On 29 December 2016, Mr. Chui Koon Yau and Mr. Tang Kwai Leung, Stanley transferred their entire interest of Master Top Limited to an independent third party.

- (b) The details of the major non-cash transaction related to the assignment of debts between directors, creditors and the Group were mentioned in note 29.
- (c) The remuneration of directors and other members of key management during the Track Record Period was as follow:

	<u>For the year ended 31 March</u>	
	<u>2016</u>	<u>2017</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Short term employee benefits	2,262	4,391
Pension scheme contributions	<u>54</u>	<u>88</u>
	<u>2,316</u>	<u>4,479</u>

32. EVENTS AFTER THE REPORTING PERIOD

In addition to events disclosed elsewhere in this Historical Financial Information, the Group had the following material events occurred after the Track Record Period:

On 22 September 2017, the Company resolved to increase its authorised share capital from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each in order to be positioned to (i) allot and issue 150,000,000 new Shares to the Public Offer and the Placing; and (ii) allot and issue a further 224,992,000 and 224,992,000 new Shares to the existing shareholders of the Company, C3J Development Limited and Hunter Corporate Limited, respectively.

33. CONTINGENT LIABILITIES

As at 31 March 2016 and 2017, the Group exposed to the liabilities under the Employees' Compensation Ordinance and common law for injuries at work in respect of all their employees. During the Track Record Period, all the construction projects were covered by the employees' compensation insurance and contractor's insurance taken out by the main contractor for the entire construction projects. Such insurance policies covered and protected all employees of the Group of all tiers working in the relevant construction site and the works performed by the employee of the Group in the relevant construction site. Other than that, the Group had no significant contingent liabilities.

As at 31 March 2017, the Company did not have any significant contingent liabilities.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2017.

This information set forth in this Appendix II does not form part of the Accountants' Report prepared by RSM Hong Kong, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted consolidated net tangible assets as of 31 March 2017, which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 March 2017, and is based on our consolidated net tangible assets as at 31 March 2017, as set out in the Accountants' Report in Appendix I to this prospectus.

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Share Offer may have affected the net tangible assets attributable to owners of our Company had it occurred as of 31 March 2017. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group.

	Audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2017 ⁽¹⁾	Estimated net proceeds from the Share Offer ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽⁴⁾
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on the minimum indicative Offer Price of HK\$0.22 per Offer Share	<u>55,437</u>	<u>16,373</u>	<u>71,810</u>	<u>0.12</u>
Based on the maximum indicative Offer Price of HK\$0.34 per Offer Share	<u>55,437</u>	<u>33,113</u>	<u>88,550</u>	<u>0.15</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2017 is arrived from the audited consolidated net assets of approximately HK\$55,437,000 as of 31 March 2017, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

- (2) The estimated net proceeds from the issue of new Shares under the Share Offer are based on the indicative range of Offer Price of HK\$0.22 to HK\$0.34 per Offer Share, respectively, after deduction of the estimated commission and other related fees and expenses (excluding listing expenses of approximately HK\$3,756,000 which have been recognised in profit or loss prior to 31 March 2017) payable by our Company.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transaction of our Group entered into subsequent to 31 March 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to the preceding paragraphs and on the basis that 600,000,000 Shares are in issue immediately upon the completion of the Share Offer.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.



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

29 September 2017

The Board of Directors
Beaver Group (Holding) Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beaver Group (Holding) Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2017 and related notes as set out on pages II-1 to II-2 in Section A of Appendix II to the prospectus dated 29 September 2017 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are specified in Section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the “Share Offer”) on the Group’s financial position as at 31 March 2017 as if the Share Offer had been taken place on 31 March 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements included in the accountants’ report as set out in Appendix I to the prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (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.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 January 2017 under 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 provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 September 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise

agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect

of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by

the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any

executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in

such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or

share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) *Alterations to the constitutional documents and the Company's name*

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) *Meetings of member*

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly

authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his

intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 3 January 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable

circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 31 January 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of

Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as

it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 3 January 2017. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 14 February 2017 and our principal place of business in Hong Kong is at Unit 1503, 15th Floor, Peninsula Square, 18 Sung On Street, Hunghom, Kowloon, Hong Kong. Mr. Tang has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company 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 of Association and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in “Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber on the date of incorporation, which was subsequently transferred to C3J Development. The Company further allotted and issued 4,999 Shares and 5,000 Shares to C3J Development and Hunter Corporate respectively on the same date.
- (b) On 27 January 2017, in consideration of the acquisition by Everest Enterprise of the entire issued share capital of Longson Enterprise, 1,000 Shares were issued and allotted to each of C3J Development and Hunter Corporate, credited as fully paid, at the direction of Mr. Tang and Mr. Chui, respectively.
- (c) On 27 January 2017, in consideration of the acquisition by Everest Enterprise of the entire issued share capital of TMP Machinery, 1,000 Shares were issued and allotted to each of C3J Development and Hunter Corporate, credited as fully paid, at the direction of Mr. Tang and Mr. Chui, respectively.
- (d) On 27 January 2017, in consideration of the acquisition by Everest Enterprise of the entire issued share capital of Triangular Force, 1,000 Shares were issued and allotted to each of C3J Development and Hunter Corporate, credited as fully paid, at the direction of Mr. Tang and Mr. Chui, respectively.

- (e) On 22 September 2017, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 additional Shares, each ranking *pari passu* with our Shares then in issue in all respects.
- (f) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 600,000,000 Shares, fully paid or credited as fully paid, will be in issue, and 400,000,000 Shares will remain unissued.
- (g) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of our Shareholders passed on 22 September 2017” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (h) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph headed “Changes in share capital of our Company”, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 22 September 2017

On 22 September 2017, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum;
- (b) our Company conditionally approved and adopted the Articles;
- (c) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by creation of an additional 962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (d) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being

terminated in accordance with the terms of Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the subsection headed “D. Share Option Scheme” below in this appendix, were approved and adopted 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;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$4,499,840 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 449,984,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 21 September 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;
- (e) a general unconditional mandate was given to our Directors to exercise all power of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;

- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM 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 will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (g) the general unconditional mandate mentioned in sub-paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed “History, Reorganisation and Group Structure — Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Group 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 summary of which is set out below:

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders’ approval*

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 22 September 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM, 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 will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the option which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is 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 the Shareholders in a general meeting.

(ii) *Source of funds*

Any repurchase by our Company must be funded out of funds legally available for the purchase in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a "connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) *Exercise of the Repurchase Mandate*

On the basis of 600,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 60,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations 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 GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles 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 purpose 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 the Shareholder's 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 consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares 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 GEM Listing Rules).

No connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material to the business of our Company as a whole:

- (a) a sale and purchase agreement dated 27 January 2017 entered into among Mr. Tang and Mr. Chui (as vendors), Everest (as purchaser) and our Company, pursuant to which Everest Enterprise acquired 1,000 shares of Longson Enterprise each from Mr. Tang and Mr. Chui, together representing the entire issued share capital of Longson Enterprise, and in consideration thereof, our Company allotted and issued 1,000 Shares to C3J Development and 1,000 Shares to Hunter Corporate as directed by Mr. Tang and Mr. Chui respectively;
- (b) an instrument of transfer and bought and sold notes all dated 27 January 2017 between Mr. Tang and Everest Enterprise for the transfer of 1,000 shares of Longson Enterprise to Everest Enterprise and in consideration thereof, our Company allotted and issued 1,000 Shares to C3J Development as directed by Mr. Tang, this arrangement is referred to in item (a) above;
- (c) an instrument of transfer and bought and sold notes all dated 27 January 2017 between Mr. Chui and Everest Enterprise for the transfer of 1,000 shares of Longson Enterprise to Everest Enterprise and in consideration thereof, our Company allotted and issued 1,000 Shares to Hunter Corporate as directed by Mr. Chui, this arrangement is referred to in item (a) above;
- (d) a sale and purchase agreement dated 27 January 2017 entered into among Mr. Tang and Mr. Chui (as vendors), Everest Enterprise (as purchaser) and our Company, pursuant to which Everest Enterprise acquired 5,000 shares of TMP Machinery each from Mr. Tang and Mr. Chui, together representing the entire issued share capital of TMP Machinery, and in consideration thereof, our Company allotted and issued 1,000 Shares to C3J Development and 1,000 Shares to Hunter Corporate as directed by Mr. Tang and Mr. Chui respectively;
- (e) an instrument of transfer and bought and sold notes all dated 27 January 2017 between Mr. Tang and Everest Enterprises for the transfer of 5,000 shares of TMP Machinery to Everest Enterprise and in consideration thereof, our Company allotted and issued 1,000 Shares to C3J Development as directed by Mr. Tang, this arrangement is referred to in item (d) above;

- (f) an instrument of transfer and bought and sold notes all dated 27 January 2017 between Mr. Chui and Everest Enterprise for the transfer of 5,000 shares of TMP Machinery to Everest Enterprise and in consideration thereof, our Company allotted and issued 1,000 Shares to Hunter Corporate as directed by Mr. Chui, this arrangement is referred to in item (d) above;
- (g) a sale and purchase agreement dated 27 January 2017 entered into among Mr. Tang and Mr. Chui (as vendors), Everest Enterprise (as purchaser) and our Company, pursuant to which Everest Enterprise acquired 5,000 shares of Triangular Force each from Mr. Tang and Mr. Chui, together representing the entire issued share capital of Triangular Force, and in consideration thereof, our Company allotted and issued 1,000 Shares to C3J Development and 1,000 Shares to Hunter Corporate as directed by Mr. Tang and Mr. Chui respectively;
- (h) an instrument of transfer and bought and sold notes all dated 27 January 2017 between Mr. Tang and Everest Enterprises for the transfer of 5,000 shares of Triangular Force to Everest Enterprise and in consideration thereof, our Company allotted and issued 1,000 Shares to C3J Development as directed by Mr. Tang, this arrangement is referred to in item (g) above;
- (i) an instrument of transfer and bought and sold notes all dated 27 January 2017 between Mr. Chui and Everest Enterprise for the transfer of 5,000 shares of Triangular Force to Everest Enterprise and in consideration thereof, our Company allotted and issued 1,000 Shares to Hunter Corporate as directed by Mr. Chui, this arrangement is referred to in item (g) above;
- (j) the Deed of Non-competition;
- (k) the Deed of Indemnity; and
- (l) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) *Domain name*

As at the Latest Practicable Date, our Group is the registered owner of the following domain name which is material to the business of our Group:

<u>Registered owner</u>	<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
The Company	www.beavergroup.com.hk	7 February 2017	16 February 2020

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations*

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, would 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

<u>Name</u>	<u>Capacity/Nature</u>	<u>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer</u>	<u>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer</u>
Mr. Tang (<i>Note 1</i>)	Interest of a controlled corporation	225,000,000	37.5%
Mr. Chui (<i>Note 3</i>)	Interest of a controlled corporation (<i>Note 2</i>)	225,000,000	37.5%

Notes:

1. Mr. Tang beneficially owns the 100% of issued share capital of C3J Development. Therefore, Mr. Tang is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO. Mr. Tang is the sole director of C3J Development.
2. Mr. Chui beneficially owns the 100% of issued share capital of Hunter Corporate. Therefore, Mr. Chui is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO. Mr. Chui is the sole director of Hunter Corporate.

(ii) *Long position in the shares of associated corporations*

<u>Name</u>	<u>Name of associated corporations</u>	<u>Capacity/nature of interest</u>	<u>Number of shares held/interested</u>	<u>Percentage of shareholding</u>
Mr. Tang	C3J Development	Beneficial owner	225,000,000	37.5%
Mr. Chui	Hunter Corporate	Beneficial owner	225,000,000	37.5%

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held/interested</u>	<u>Percentage of interest</u>
C3J Development (Note 1)	Beneficial owner	225,000,000	37.5%
Ms. Lam Ka Yi (Note 2)	Interest of spouse	225,000,000	37.5%

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held/interested</u>	<u>Percentage of interest</u>
		<i>(Note 5)</i>	
Hunter Corporate <i>(Note 3)</i>	Beneficial owner	225,000,000	37.5%
Ms. Wong Kit Chun <i>(Note 4)</i>	Interest of spouse	225,000,000	37.5%

Notes:

1. Mr. Tang beneficially owns the entire issued share capital of C3J Development. Therefore, Mr. Tang is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO. Mr. Tang is the sole director of C3J Development.
2. Ms. Lam Ka Yi is the spouse of Mr. Tang. Therefore, Ms. Lam Ka Yi is deemed, or taken to be, interested in all the Shares held by C3J Development for the purpose of the SFO.
3. Mr. Chui beneficially owns the entire issued share capital of Hunter Corporate. Therefore, Mr. Chui is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO. Mr. Chui is the sole director of Hunter Corporate.
4. Ms. Wong Kit Chun is the spouse of Mr. Chui. Therefore, Ms. Wong Kit Chun is deemed, or taken to be, interested in all the Shares held by Hunter Corporate for the purpose of the SFO.
5. All interests stated are long position.

2. Particulars of service agreements

None of our Directors has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of the years ended 31 March 2016 and 2017 were approximately HK\$1,716,000 and HK\$1,752,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK\$1,752,000.

- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<u>HK\$</u>
Executive Directors	
Mr. Tang	876,000
Mr. Chui	876,000
Independent non-executive Directors	
Mr. Cheung Chung Chuen George	120,000
Mr. Leung Wai Hung	120,000
Mr. Law Ching Ning Paschal	120,000

4. Agency fees or commission received

Save as disclosed in the section headed “Underwriting” in this prospectus, none of the Directors or the experts named in the section headed “E. Other Information — 7. Qualifications 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) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “A. Further information about our Company” in this appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or dispose of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications 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 the Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM 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, the five largest suppliers or the five largest subcontractors of our Group;
- (g) none of our Directors has any existing or proposed service contracts 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)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of the Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 September 2017. The following is a summary of the principal terms of the 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”	22 September 2017, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(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 Shareholders passed on 22 September 2017:

(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*

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (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 our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(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, provided always that 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 new 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 60,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 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 the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM 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, 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 the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the

subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of 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 (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (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;
 - (iii) such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM 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 GEM Listing Rules); and
 - (ii) the deadline for which for our Company to publish an announcement of our Company's results for any year or half-year or quarterly under the GEM Listing Rules, or quarterly or other interim period (whether or not required under the GEM 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 quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(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 our 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 our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(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 the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(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 our 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 of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(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, 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 our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of our GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee 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 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 Group give notice thereof to all grantees

and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall 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 our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (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) becoming 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 our Board may in its absolute discretion sees fit and in 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 our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any alternations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules 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 our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Stock Exchange granting the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in the paragraph headed “B. Further Information about the Business of our Group — 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 March 2017 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and the BVI is likely to fall on our Group and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

Our Directors have confirmed that, as at the Latest Practicable Date, save as otherwise disclosed in the paragraph headed “Business — Legal proceedings and legal compliance — Legal proceedings” of this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against any member of our Group.

3. Sponsor's fee

The Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sponsor's fee in relation to the Listing is HK\$6,240,000.

4. Independence of the Sponsor

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$58,000 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Frontpage Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
RSM Hong Kong	Certified Public Accountants
Appleby	Legal adviser to our Company as to Cayman Islands law
MdME	Legal adviser to our Company as to Macau Law
Mr. Chan Chung	Barrister-at-law of Hong Kong

8. Consents of experts

Each of the above named experts 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 advice 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/he is respectively included.

9. 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.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfer and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that save as disclosed in the section headed "Financial Information — Material adverse change" in this prospectus, there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

12. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch 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 transfers 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 the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or 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.

13. Miscellaneous

Save as disclosed in this prospectus;

- (i) Within the two years immediately preceding the date of this prospectus:
- (aa) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan 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 our subsidiaries;
 - (cc) no commission has been paid or payable (except to the Underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;
 - (dd) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (ii) 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;
- (iii) none of the parties named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix:
- (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

- (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (iv) our Company and the subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) there is no arrangement under which future dividends are waived or agreed to be waived;
- (viii) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong;
- (ix) our Group has no outstanding convertible debt securities;
- (x) the English text of this prospectus shall prevail over the Chinese text; and
- (xi) Save as disclosed in the section headed “Underwriting — Underwriting arrangements — Total commission, fee and expenses” in this prospectus, and in the paragraph headed “3. sponsor’s fee” in this prospectus in this appendix, none of the Directors or the experts named in the paragraph headed “E. Other Information — 7. Qualification 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.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, (a) copies of the **WHITE** and **YELLOW** Application Forms; (b) copies of the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of Experts” in Appendix IV to this prospectus; and (c) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of T.S. Chu Lawyers at Room 1003, 10/F, Jubilee Centre, 46 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 of Association and the Articles;
- (b) the accountant’s report of our Group prepared by RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group prepared by RSM Hong Kong, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the years ended 31 March 2016 and 2017;
- (e) the letter prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the service agreements with each of our Directors referred to in the section headed “Statutory and General Information — C. Further information about substantial shareholders, directors and experts — 3. Directors’ remuneration” in Appendix IV to this prospectus;
- (g) the material contracts referred to the section headed “Statutory and General Information — B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of Experts” in Appendix IV to this prospectus;
- (i) the Companies Law;

- (j) the Share Option Scheme;
- (k) the legal opinion issued by Mr. Chan Chung, our Legal Counsel, in respect of certain aspects of Hong Kong laws and regulations applicable to our Group;
- (l) the market research report issued by Ipsos Limited; and
- (m) the legal opinion issued by MdME, our legal advisers as to Macau law, in respect of certain aspects of Macau laws and regulations applicable to our Group.



BEAVER GROUP (HOLDING) COMPANY LIMITED
永勤集團(控股)有限公司