

# Hao Bai International (Cayman) Limited

## 浩柏國際（開曼）有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8431

# PUBLIC OFFERING

Sole Sponsor

**CLC** CLC INTERNATIONAL LIMITED  
創僑國際有限公司

Joint Lead Managers

**平安**證券有限公司  
Ping An Securities Limited

**CLC** CLC INTERNATIONAL LIMITED  
創僑國際有限公司

## IMPORTANT

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

### Hao Bai International (Cayman) Limited

浩柏國際(開曼)有限公司

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

#### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PUBLIC OFFERING

**Number of Offer Shares : 325,000,000 Offer Shares**

**Offer Price : Not more than HK\$0.26 per Offer Share  
and expected to be not less than  
HK\$0.20 per Offer Share, plus  
brokerage fee of 1%, SFC transaction  
levy of 0.0027% and Stock Exchange  
trading fee of 0.005% (payable in full on  
application in Hong Kong dollars and  
subject to refund)**

**Nominal value : HK\$0.01 per Share**

**Stock code : 8431**

#### Sole Sponsor



#### Joint Lead Managers

平安證券有限公司  
Ping An Securities Limited



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

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

Our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) will agree on the Offer Price on the Price Determination Date, which is expected to be on or around Monday, 22 May 2017, or such other date as may be agreed between our Company and the Joint Lead Managers. The Offer Price will not be more than HK\$0.26 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share unless otherwise announced. If our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by the Price Determination Date, the Public Offering will not proceed and will lapse. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the Offer Price range below to that stated in this prospectus at any time before the Price Determination Date. If this occurs, we will publish notice of reduction of the indicative Offer Price range on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.harmonyasia.com](http://www.harmonyasia.com) not later than the Price Determination Date.

Before making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. Pursuant to the termination provisions contained in the Underwriting Agreement, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right in certain circumstances, in their sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time before 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Grounds for termination" in this prospectus. It is important that you refer to the said section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

16 May 2017

## CHARACTERISTICS OF GEM

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

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

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

## EXPECTED TIMETABLE

The Company will issue an announcement on the website of the Company at [www.harmonyasia.com](http://www.harmonyasia.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) if there is any change in the following expected timetable of the Public Offering.

2017  
(Note 1)

Latest time to for completing electronic applications under the <b>HK eIPO White Form</b> service through the designated website <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> (Note 2) .....	11:30 a.m. on Friday, 19 May
Application lists open (Note 3) .....	11:45 a.m. on Friday, 19 May
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms and to give <b>Electronic Application Instructions</b> to HKSCC (Note 4) .....	12:00 noon on Friday, 19 May
Latest time to complete payments for <b>HK eIPO White Form</b> applications by effecting internet banking transfer or PPS payment transfer(s).....	12:00 noon on Friday, 19 May
Application lists close (Note 3) .....	12:00 noon on Friday, 19 May
Expected Price Determination Date (Note 5).....	Monday, 22 May
Announcement of the final Offer Price, the basis of allotment and the results of applications in the Public Offering to be published on the website of the Company at <a href="http://www.harmonyasia.com">www.harmonyasia.com</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on.....	Thursday, 25 May
Announcement of results of allocations in the Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the Company's website at <a href="http://www.harmonyasia.com">www.harmonyasia.com</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (for further details, please see "How to apply for Offer Shares — 11. Publication of Results" in this prospectus) from.....	Thursday, 25 May
Results of allocations in the Public Offering will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID Number/ Business Registration Number" function from .....	Thursday, 25 May
Despatch/Collection of e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offering on or before (Notes 7 and 8).....	Thursday, 25 May
Despatch/Collection of Share certificates on or before (Notes 6 and 7) .....	Thursday, 25 May
Dealings in the Shares on GEM expected to commence on.....	9:00 a.m. on Friday, 26 May



## EXPECTED TIMETABLE

*Notes:*

1. All times and dates refer to Hong Kong local time and date, except as otherwise stated. Details of the structure of the Public Offering, including its conditions, are set out in the section headed “Structure of the Public Offering” in this prospectus.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. 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, 19 May 2017, the application lists will not open and close on that day. For details, please see “How to Apply for Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or before Monday, 22 May 2017.
6. Share certificates for the Offer Shares are expected to be issued on or before Thursday, 25 May 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 26 May 2017 provided that (a) the Public Offering has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms.
7. Applicants for 1,000,000 Offer Shares or more on **WHITE** Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 25 May 2017 or any other day that we announce as the date of despatch of Share certificates/refund cheques.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants for 1,000,000 Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the Applicants’ own risk to the address specified in the relevant Application Form. For further information, applicants should refer to “How to Apply for Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.26 per Offer Share.

For details of the structure of the Public Offering, including conditions of the Public Offering, applicants should refer to the section headed “Structure of the Public Offering” in this prospectus.

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Public Offering. You should not use this prospectus 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.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, 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. You should not rely on any information or representation not contained or made in this prospectus and such information has not been authorised by our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates or representatives or any other person involved in the Public Offering. The contents of our website [www.harmonyasia.com](http://www.harmonyasia.com) does not form part of this prospectus.*

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## SUMMARY

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

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

## OVERVIEW

We are a Hong Kong-based contractor specialized in design, procurement and installation services of the Water Circulation Systems, including swimming pools, water fountains and water curtains, etc. Our services are mainly categorized as (i) management contracting services — design, procurement and installation of Water Circulation Systems, (ii) consultancy services — provision of consultancy services on design of Water Circulation Systems and (iii) maintenance services — provision of maintenance and repair services for Water Circulation Systems.

Our management contracting services is our major business segment. The revenue derived from such business segment represented over 90% of our revenue during the Track Record Period. The revenue derived from our consultancy services and maintenance services in aggregate represented less than 10% of our revenue during the Track Record Period.

According to the F&S Report, the value of the water-related facility service market in Hong Kong reached HK\$167.9 million in 2016, representing a CAGR of approximately 14.4% during the period from 2010 to 2016. Our Company ranked the first in terms of sales revenue of the water-related facility service market in Hong Kong in 2016, accounting for approximately 28.4% of the total market share. In 2020, the market in Hong Kong is projected to reach HK\$264.8 million.

The value of water-related facility service market in Macau grew at CAGR of 30.1% during the period from 2010 to 2016, reaching HK\$138.5 million in 2016. Our Company ranked the first in terms of sales revenue of the water-related facility service market in Macau in 2016, accounting for approximately 35.9% of the total market share. In 2020, the market in Macau is projected to reach HK\$280.5 million.

In the overall construction industry of Hong Kong or Macau, the water-related facility service market can be regarded as a pretty niche market. As of 2016, the Hong Kong water-related facility service market merely took up about 0.07% of the total Hong Kong construction market in terms of revenue. Meanwhile, the revenue of water-related facility service market in Macau accounted for about 0.13% of total Macau construction market.



## SUMMARY

The table below sets out a breakdown of our revenue derived by types of our services for the years/periods indicated:

Revenue	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Management contracting services	53,114	92.9	89,823	98.8	53,928	98.2	64,892	96.5
Consultancy services	3,963	7.0	1,017	1.1	940	1.7	2,279	3.4
Maintenance services	76	0.1	65	0.1	43	0.1	67	0.1
<b>Total</b>	<b>57,153</b>	<b>100.0</b>	<b>90,905</b>	<b>100.0</b>	<b>54,911</b>	<b>100.0</b>	<b>67,238</b>	<b>100.0</b>

### OUR PROJECTS

Our business is project-based and non-recurring in nature. All our projects are located in Hong Kong and Macau. During the Track Record Period, our revenue derived from projects in Hong Kong represented approximately 43.6%, 23.5% and 53.1% of our total revenue respectively and our revenue derived from projects in Macau represented approximately 56.4%, 76.5% and 46.9% of our total revenue respectively.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we completed 9, 9 and 1 projects with a total contract sum of approximately HK\$20.6 million, HK\$46.8 million and HK\$2.4 million respectively.

The table below sets out the details of the movements of the number of on-going and completed projects for management contracting services of our Group for the years/periods indicated:

	Year ended 31 March						Eight months ended 30 November					
	2015		2016		2015		2016		2015		2016	
	Number of projects	Contract sum	Outstanding contract sum	Number of projects	Contract sum	Outstanding contract sum	Number of projects	Contract sum	Outstanding contract sum	Number of projects	Contract sum	Outstanding contract sum
	(Unaudited)											
Opening on-going projects	15	63,032	8,383	14	101,510	11,845	14	101,510	30,173	13	112,208	27,902
New projects awarded	8	59,029	44,478	8	57,471	46,698	6	51,811	50,080	5 <sup>(Note 2)</sup>	36,809	26,450
Projects completed	9	20,551	—	9	46,773	—	3	3,357	—	1	2,459	—
Projects terminated	—	—	—	—	—	—	—	—	—	2 <sup>(Note 3)</sup>	10,157	—
Closing on-going projects	14	101,510	52,861	13	112,208	58,543	17	149,964	80,253	15	136,401	54,352

**Notes:**

- The contract sum is based on the initial agreement between our Group and our customer and may not include additions, omissions, substitutions, alteration of scope of work or specifications of consumables due to subsequent variation orders. Therefore, final revenue recognised from a contract may differ from the initial contract sum.

## SUMMARY

2. One out of the five new projects awarded did not contribute any revenue during the period as the respective project works were not yet commenced as at 30 November 2016.
3. There has been some disagreements between us and the customer of these projects, namely Customer F. By two letters respectively dated 22 June 2016 and 17 November 2016, Customer F gave notice to us to terminate the contracts. For details, please refer to section headed “Business — Major customers” in this prospectus.

After the Track Record Period and up to the Latest Practicable Date, we have 21 on-going projects, the expected contribution of which are as follows:

	<b>For the year ended/ending</b>		
	<b>31 March</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding contract sum expected to be recognised	36,723	45,897	16,943
Variation orders expected to be recognised	5,372	2,415	—
	42,095	48,312	16,943

## CUSTOMERS

Our customers mainly comprise developers, main contractors and sub-contractors.

During the Track Record Period, we provided our services in various private residence projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. Our customers engaged our services for the water features, such as swimming pools, water fountains and water curtains, in their projects.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, (i) the aggregate revenue attributable to our five largest customers amounted to approximately HK\$49.8 million, HK\$82.9 million and HK\$62.0 million respectively, representing approximately 87.2%, 91.1% and 92.3% of our total revenue for the corresponding period respectively; and (ii) the aggregate revenue attributable to our largest customer amounted to approximately HK\$26.4 million, HK\$65.4 million and HK\$38.5 million respectively, representing approximately 46.3%, 71.9% and 57.3% of our total revenue for the corresponding period respectively. Our management contracting services is project-based. A mega-sized project will occupy a substantial part of our resources and inevitably resulted in our Group not being able to deploy resources to other projects. Therefore, given the existing size of our Group, if we are engaged for a mega-sized project, it will be easy for the customer of the said project to become our largest customer during the relevant period.

Our Directors consider that despite the customer concentration, our Group’s business model is sustainable for the reasons as detailed in the section headed “Business — Project/Customer concentration”. Please refer to the section headed “Business — Our customers” in this prospectus for details.

In respect of the two projects for swimming pool undertaken by us for Customer F during the Track Record Period, there have been some disagreements between us and the customer. The first project which disagreement has arisen is located at Kennedy Town and involves a contract sum of

## SUMMARY

approximately HK\$7.2 million and variation orders of approximately HK\$5.0 million. We have incurred a total cost of approximately HK\$4.2 million, HK\$5.2 million and nil in connection with the project for the year ended 31 March 2016, the eight months ended 30 November 2016 and the period after the Track Record Period and up to the Latest Practicable Date respectively. As at the Latest Practicable Date, contractual payments of approximately HK\$3.5 million have been certified, out of which approximately HK\$2.0 million has already been paid to us for our progress work done. There has been some disagreement between us and Customer F as to whether we have performed our contractual duty on time and to the satisfaction of Customer F. By a letter dated 22 June 2016, Customer F gave notice to us to terminate the contract. Upon considering the non-cooperation of Customer F, which rendered us unable to complete the work and low amount of certified payment, we terminated the contract with Customer F on 23 June 2016. For details, please refer to section headed “Business — Major customers” in this prospectus.

The second project which disagreement has arisen is located at Sham Shui Po and involves a contract sum of approximately HK\$3.0 million. For the year ended 31 March 2016, the eight months ended 30 November 2016 and the period after the Track Record Period and up to the Latest Practicable Date, we have incurred a total cost of approximately HK\$0.7 million, HK\$0.8 million and nil respectively. As at the Latest Practicable Date, none of the contractual payments have been certified nor paid to us. The disagreement was related to the execution and progress of work rendered by us. Having considered the nil certified payment in spite of our work already done as submitted in our payment application in September 2016 and given the undesirable experience with Customer F in the first project, our Group, as a matter of risk management, proposed Customer F to partially purchase some raw materials and make direct payment partially to our workers on our behalf in October 2016. Our Group received written consent from the project manager of Customer F, who had been the person in charge of the project responsible for liaising with our Company since the commencement of the project, to such arrangement on 10 November 2016. However, without any warning, discussion or notice, on 17 November 2016, the same project manager who gave the abovementioned consent, on behalf of Customer F, issued a letter to us alleging that our Group’s capability in executing the project was under their concern. The said letter, which served as a termination notice for the determination of the contract between Customer F and us, also alleged that our work was delayed and the required materials were not delivered to the project site on time. Our Group considered such termination as wrongful repudiation of the contract and having considered the nil certified payment in spite of our work already done, we served notice to accept the repudiation on 24 November 2016. For details, please refer to the section headed “Business — Major customers” in this prospectus.

According to the contracts, if the dispute cannot be settled within 30 days of the issuance of written notice, the dispute(s) should be resolved through arbitration at Hong Kong International Arbitration Centre. As at the Latest Practicable Date, our Group has not received any notice of arbitration from Customer F, nor did our Group issue one. Currently, our Group is actively in procuring the discussion for settlement of the disagreements, aiming to recover the amount our Group is entitled to but not yet been paid.

## SUMMARY

### **Pricing strategy and policy**

Our pricing for our management contracting services, which is project-based, is determined on a cost-plus basis having regard to various factors including (i) the scope of works; (ii) the scale, complexity and particular technical requirement of the project; (iii) the estimated project cost; (iv) the expected profit margin; (v) the estimated duration of the project; (vi) the prevailing market conditions and (vii) any special terms or requirements.

For details, please refer to section headed “Business — Pricing strategy and policy”.

### **TENDER SUCCESS RATE**

Our tender success rate was approximately 28.6%, 17.8% and 22.7% for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. The decrease in our tender success rate for the year ended 31 March 2016 was primarily because we focused our effort and resources for the preparation of a mega-sized project, namely Project A. During the said year, we kept receiving invitation letters for tenders from our potential customers. In order to maintain our market presence but with the limitation of our manpower, capacity and resources as a result of Project A, our Group was hesitant in offering competitive terms when submitting further tender in response to the invitation received from customers, which in turn resulted in lower success rate of our tenders.

When Project A approached its final stage subsequent to 31 March 2016 and is expected to be completed in June 2017, the demand for our manpower, capacity and resources were lessened with revenue of only approximately HK\$16.5 million generated for the eight months ended 30 November 2016 and our Group started to be able to take up other projects. Taking into account that (i) more and more of our resources will be released when Project A was approaching to completion and (ii) there is usually a time gap of at least 6 months between submission of tenders and the commencement of project installation works, we have adopted a relatively proactive approach in tender submission after 31 March 2016.

For details, please refer to the section headed “Business — Project identification for management contracting services — Indication of tender award”.

### **SUPPLIERS**

Our suppliers mainly include suppliers of consumables such as water pipes, filters, pumps, valves, etc., for our projects and the suppliers of leasing of equipment such as electric scissor lift for our contract works.

We conduct background search on our suppliers and select them based on their track record, reputation, price, quality and past performances.

As at the Latest Practicable Date, there were approximately 47 suppliers included in our approved list of suppliers.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, (i) the costs incurred in respect of our five largest suppliers accounted for approximately 34.8%, 24.4% and 33.4% of our total cost of services incurred respectively; and (ii) the costs incurred in respect of our

## SUMMARY

largest supplier accounted for approximately 19.3%, 12.7% and 22.5% of our total cost of services incurred respectively. Please refer to the section headed “Business — Our suppliers” in this prospectus for details.

### SUB-CONTRACTORS

We do not have our own workers to carry out the installation works of Water Circulation Systems. During the Track Record Period and up to the Latest Practicable Date, we have engaged around 20 sub-contractors, all of which were Independent Third Parties, to provide workers to carry out the installation services of the Water Circulation Systems in connection with our management contracting services in accordance with our instructions and under the supervision of our project team. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, (i) the sub-contracting fees were approximately HK\$9.6 million, HK\$27.0 million and HK\$17.1 million, representing approximately 22.4%, 40.2% and 34.6% of our total costs of services respectively; (ii) the costs incurred in respect of our five largest sub-contractors accounted for approximately 17.8%, 26.1% and 24.0% of our total cost of services incurred respectively; and (iii) the cost incurred in respect of our largest sub-contractors accounted for approximately 9.6%, 9.8% and 6.2% of our total cost of services incurred respectively. Please refer to the section headed “Business — Our sub-contractors” in this prospectus for details.

### ENTITIES WHICH ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

During the Track Record Period, our largest customer, Shun Cheong, was also our largest supplier for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our sales to our largest customer accounted for approximately 46.3%, 71.9% and 57.3% of our total revenue respectively. During the same period, our purchase from our largest customer accounted for approximately 19.3%, 12.7% and 22.5% of our total cost of services respectively. Nevertheless, our Directors consider that our Group did not place undue reliance on Shun Cheong, the detailed reasons of which are set out in the section headed “Business — Entities which are our customers and also our suppliers” in this prospectus.

### OUR COMPETITIVE STRENGTHS

- We have extensive experiences in projects on water-related facilities in Macau where there is abundant demand for water feature and landscaping services.
- We have an experienced management team. Our executive Directors, Mr. Nam, Mr. Ng Wan Lok and Ms. Wong Wing Hung, have more than 20, 20 and 15 years of experience in water-related facility service market respectively.
- We are a member of TEA and we are able to share and keep up-to-date with any information of technical know-how, industry knowledge and potential market opportunities.
- We have established relationships with sub-contractors who can provide stable supply of skilled workers to us and assist us to complete the projects efficiently.

Please refer to the section headed “Business — Our competitive strengths” in this prospectus for details.

## SUMMARY

### OUR BUSINESS STRATEGIES

Our business objective is to maintain a sustainable growth in our existing business, increase our market share in the water-related facility service market in Hong Kong and Macau. We intend to achieve our business objective by adopting the following key strategies:

- Strengthen our industry position in Hong Kong and Macau.
- Enhance our capital base to secure more projects and expand our business.
- Strengthen our technical and project management capabilities to further improve our operational efficiency.
- Enhance our overall efficiency by establishing an operation premise in Macau.

Please refer to the sections headed “Business — Our business strategies” and “Future Plans and Use of Proceeds” in this prospectus for a detailed description of these strategies.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables present the summary consolidated financial information of our Group.

#### Highlight of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March		Eight months ended 30 November	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
			(Unaudited)	
Revenue	57,153	90,905	54,911	67,238
Gross profit	14,427	23,641	14,135	17,739
Profit (loss) before tax	8,945	11,808	8,260	(377)
Profit (loss) and total comprehensive income (expense) for the year/period	6,726	9,609	7,004	(1,615)



## SUMMARY

### Highlight of consolidated statements of financial positions

	As at 31 March		As at 30 November
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	2,118	4,635	4,312
Current assets	37,881	46,244	62,473
Current liabilities	27,316	20,568	29,212
Net current assets	10,565	25,676	33,261
Non-current liabilities	2,537	3,502	4,379
Net assets	10,146	26,809	33,194

We derive our revenue mainly from management contracting services. All our contracts were secured through the tender process. Our tender success rate for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 was approximately 28.6%, 17.8% and 22.7% respectively.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, 56.4%, 76.5% and 46.9% of our total revenue was derived from our projects in Macau. Our revenue derived from projects in Macau increased by approximately HK\$37.3 million or 115.8% from approximately HK\$32.2 million for the year ended 31 March 2015 to approximately HK\$69.6 million for the year ended 31 March 2016. Such growth was primarily driven by increased number of variation orders of Project A. For illustrative purpose only, the table below sets out the breakdown of our Group's revenue and profits generated from the original contract and variation orders for Project A during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March		Eight months ended 30 November	From 1 December 2016 to Latest Practicable Date
	2015	2016	2016	Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>				
Original contract	10,671	24,659	765	—
Variation orders	15,764	39,871	15,779	312
<b>Profit (Note)</b>				
Original contract	3,086	7,131	222	—
Variation orders	5,576	16,107	5,962	27

*Note:* The unallocated costs including staff costs and others were excluded from the calculation of profit as it cannot be allocated to each of the work involved reliably.

## SUMMARY

Our revenue derived from projects in Macau decreased by approximately HK\$10.2 million or 24.5% from approximately HK\$41.8 million for the eight months ended 30 November 2015 to approximately HK\$31.5 million for the eight months ended 30 November 2016. Such decrease was primarily due to the decrease in revenue from Project A as it got closer to the expected completion stage. Our revenue derived from Hong Kong remained relatively stable and amounted to approximately HK\$24.9 million and HK\$21.3 million for the years ended 31 March 2015 and 2016 respectively. Our revenue derived from projects in Hong Kong increased by approximately HK\$22.6 million or 171.4% from approximately HK\$13.2 million for the eight months ended 30 November 2015 to approximately HK\$35.7 million for the eight months ended 30 November 2016, such increase was primarily derived from revenue from projects located at Western District, Kennedy Town and So Kwun Wat.

Our total costs of services amounted to approximately HK\$42.7 million, HK\$67.3 million and HK\$49.5 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively.

	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Consumables	26,759	62.7	32,159	47.8	22,881	56.1	26,251	53.0
Sub-contracting fees	9,580	22.4	27,033	40.2	13,234	32.4	17,099	34.6
Staff costs	3,295	7.7	4,314	6.4	2,515	6.2	3,702	7.5
Consulting fees	1,741	4.1	1,156	1.7	849	2.1	480	1.0
Labour cost	916	2.1	1,690	2.5	1,064	2.6	1,749	3.5
Others ( <i>Note</i> )	435	1.0	912	1.4	233	0.6	218	0.4
Total	<u>42,726</u>	<u>100.0</u>	<u>67,264</u>	<u>100.0</u>	<u>40,776</u>	<u>100.0</u>	<u>49,499</u>	<u>100.0</u>

*Note:*

Others mainly include travelling expenses, design and drawing fees.

Our gross profits were approximately HK\$14.4 million, HK\$23.6 million and HK\$17.7 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Our gross profit margins were approximately 25.2%, 26.0% and 26.4%, for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively.

Our net profit margin decreased from approximately 11.8% for the year ended 31 March 2015 to approximately 10.6% for the year ended 31 March 2016. Such decrease was mainly attributable to the non-recurring listing expenses charged to profit or loss for the year ended 31 March 2016. Our net profit margin slightly decreased from approximately 12.8% for the eight months ended 30 November 2015 to approximately 12.5% (excluding the non-recurring listing expenses charged to profit or loss) for the eight months ended 30 November 2016. Such decrease was mainly attributable to the increase in the administrative expenses resulting from the expansion of the administrative team, offices and staff quarters for the eight months ended 30 November 2016, and the effect was partially offset by the increase in our gross profit margin.

Please refer to the section headed “Financial Information — Results of operations” in this prospectus for details.

## SUMMARY

### Highlight of consolidated statements of cash flow

	Year ended 31 March		Eight months ended
	2015	2016	30 November 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from (used in) operating activities before changes in working capital and taxes paid	9,885	13,071	709
Net cash from (used in) operating activities	4,410	(4,514)	(19,886)
Net cash (used in) from investing activities	(7,446)	5,681	864
Net cash from financing activities	3,645	6,072	12,407
Net increase (decrease) in cash and cash equivalents	609	7,239	(6,615)
Cash and cash equivalents at the beginning of the year/period	<u>(587)</u>	<u>22</u>	<u>7,261</u>
Cash and cash equivalents at the end of the year/ period	<u><u>22</u></u>	<u><u>7,261</u></u>	<u><u>646</u></u>

For the year ended 31 March 2016, we had a net cash used in operating activities of approximately HK\$4.5 million, primarily attributable to the operating cash flow before movements in working capital of approximately HK\$13.1 million and fully offset by the net negative changes in working capital of approximately HK\$17.0 million and profits tax paid of approximately HK\$0.5 million. The net negative change in working capital was primarily attributable to (i) the increase in amount due from/to customers for contract works of approximately HK\$10.7 million; and (ii) increase in trade and other debtors, deposits and prepayment of approximately HK\$6.4 million, both of which were in line with the increase of our scale of business for the year ended 31 March 2016.

For the eight months ended 30 November 2016, we had a net cash used in operating activities of approximately HK\$19.9 million, primarily attributable to (i) the net negative changes in working capital to approximately HK\$16.1 million and (ii) profits tax paid of approximately HK\$4.5 million and (iii) the offsetting effect resulting from the operating cash inflow before movement in working capital of approximately HK\$0.7 million. The net negative change in working capital was primarily attributable to the increase in amount due from/to customers for contract works of approximately HK\$20.7 million, which mainly included (i) uncertified sum of Project A and a project located in So Kwun Wat, Tuen Mun; and (ii) the relevant cost of approximately HK\$7.2 million to be certified by Customer F whom we have disagreement with for the projects located at Kennedy Town and Sham Shui Po, but the net negative change was partially offset by the increase in trade and other creditors and accrued expenses of approximately HK\$8.6 million.

Please refer to the section headed “Financial Information — Liquidity and capital resources” in this prospectus for details.

## SUMMARY

### Key financial ratios

	Year ended 31 March		Eight months ended 30 November
	2015	2016	2016
Return on equity (%)	66.3	35.8	N/A (Note 2)
Return on total assets (%)	16.8	18.9	N/A (Note 2)
Interest coverage ratio (times)	25.0	19.5	N/A (Note 3)
			<b>As at</b>
	As at 31 March		30 November
	2015	2016	2016
Average creditors turnover days	28.9	20.9	35.7
Average debtors turnover days	31.7	34.3	44.2
Gearing ratio (%) (Note 1)	106.4	52.7	56.1
Net debt to equity ratio (%)	82.9	20.0	51.2
Current ratio (times)	1.4	2.2	2.1
Quick ratio (times)	1.4	2.2	2.1

*Notes:*

- (1) Gearing ratio is calculated based on our total borrowings, bank overdrafts and obligations under finance leases divided by our total equity as of the end of each reporting year/period and multiplied by 100%.
- (2) Return on equity/total assets is not applicable since the recorded net loss only represents the amount for the eight months ended 30 November 2016.
- (3) Interest coverage ratio is not applicable since the Group recorded net loss for the eight months ended 30 November 2016.

Our return on equity decreased from approximately 66.3% for the year ended 31 March 2015 to approximately 35.8% for the year ended 31 March 2016, which was primarily due to the increase in total equity of approximately 164.2% outweighed the increase in our net profit of approximately 42.9%.

The increase in our total equity was primarily due to the proceeds from the First Pre-IPO Investment of approximately HK\$10.0 million and the increase in our net profit for the year ended 31 March 2016. For more details, please refer to the section headed “Financial Information — Key financial ratios” in this prospectus.

### LEGAL COMPLIANCES

During the Track Record Period, Harmony Asia provided design, procurement and installation services of the Water Circulation Systems for projects located in Macau. The income from those Macau projects had been reported to Harmony Asia’s accounts and assessed by the Inland Revenue Department of Hong Kong. In addition to the Hong Kong tax exposure, we were advised by our Macau tax adviser, HMV & Associates, that Harmony Asia would have Macau profits tax exposure for its projects in

## SUMMARY

Macau. In view of the tax advice, Harmony Asia has already applied to the Financial Services Bureau of Macau for tax registration in Macau and submitted its Macau tax return for the years 2011 to 2015. Based on the advice of our Macau tax adviser and as confirmed by our Macau legal adviser, Harmony Asia would be subject to penalties due to (a) late tax registration in Macau before the commencement of its provision of services ranges from MOP200 up to the maximum of MOP100,000; and (b) late filing of its tax return for 2011 to 2015 ranges from MOP100 up to the maximum of MOP10,000.

The late tax registration and filing in respect of Harmony Asia in Macau was due to, inter alia, our inadequate understanding of the relevant tax regulatory requirements in Macau and failure to seek proper tax advice. For details of the said non-compliance, please refer to the section headed “Business — Legal compliance” in this prospectus.

### RECENT DEVELOPMENTS AFTER THE TRACK RECORD PERIOD

After the end of the Track Record Period and up to the Latest Practicable Date, we have submitted 27 tenders with aggregate tender sum of approximately HK\$147.3 million and 10 tenders were awarded to us with tender sum of approximately HK\$47.2 million and the 13 tender results with aggregate tender sum of approximately HK\$93.2 million are yet to be released.

As at the Latest Practicable Date, the total outstanding contract sum and variation orders for our projects for management contracting services on hand was approximately HK\$107.3 million, of which approximately HK\$42.1 million, HK\$48.3 million and HK\$16.9 million are expected to contribute to our revenue for the years ended/ending 31 March 2017, 2018 and 2019 respectively. All existing projects on hand have continued to contribute revenue to our Group. For details of the outstanding contract sum and variation orders on hand up to the Latest Practicable Date, please refer to section headed “Business — Our services — Number of on-going and completed projects” in this prospectus.

It is currently expected that projects in Macau will continue to contribute significant amount of revenue to our Group for the year ended 31 March 2017. According to the F&S Report, the growth rate of the gross value of the construction works in Macau is expected to decrease from a CAGR of approximately 29.9% for 2010 to 2016 to a CAGR of approximately 18.2% for 2016 to 2020. However, given that (i) the gross value of the construction works in Macau is expected to reach to approximately MOP209.6 billion in 2020 with more than 900 water-related facilities that are expected to be completed in casinos and hotels in Macau and over 2,000 units of newly constructed private residential units are expected to be built annually from 2017 to 2020 according to the F&S Report; and (ii) we have secured 21 on-going projects with outstanding contract sum and variation orders of approximately HK\$107.3 million up to the Latest Practicable Date, our Directors are of the view that the slowdown of the growth rate of the gross value of the construction works in Macau will not have any material impact on our Group’s business operation for the year ended 31 March 2017.

Save and except for the listing expenses as discussed below, our Group did not have any significant non-recurring items on our consolidated statements of profit or loss and other comprehensive income after the Track Record Period.

Our Directors confirmed that, since 30 November 2016 and up to the date of this prospectus, save as disclosed above, there has been no adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountants’ Report set forth in Appendix I to this prospectus.

## SUMMARY

### PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated consolidated profit attributable to owners of our Company ( <i>Note 1</i> )	Not less than HK\$0.8 million
Unaudited pro forma estimated earnings per Share ( <i>Note 2</i> )	Not less than HK0.06 cent

*Notes:*

1. The bases on which the above estimate for the year ended 31 March 2017 has been prepared are summarised in Appendix III to this prospectus. The estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2017 is based on the audited consolidated result of our Group for the eight months ended 30 November 2016 and the unaudited consolidated result of our Group based on our management accounts for the four months ended 31 March 2017. Our Directors estimate that the profit attributable to owners of our Company will decrease from approximately HK\$9.6 million for the year ended 31 March 2016 to approximately HK\$0.8 million for the year ended 31 March 2017, primarily due to the recognition of listing expenses of approximately HK\$12.5 million for the year ended 31 March 2017.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2017 and on the assumption that 1,300,000,000 Shares had been in issue throughout the year ended 31 March 2017.

### SHAREHOLDERS' INFORMATION

Following completion of the Reorganisation, the Capitalisation Issue and the Public Offering, the First Pre-IPO Investor and the Second Pre-IPO Investor will hold approximately 10.3% and 8.4% of the issued share capital of our Company while the Controlling Shareholders, comprising Harmony Asia International and Mr. Nam, are entitled to control the exercise of the voting rights of 56.3% of the Shares eligible to vote at the general meeting of our Company. For further details, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

### OFFER STATISTICS

We have prepared the following offer statistics on the basis of indicative Offer Prices without taking into account the 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

	Based on Offer Price per Share of HK\$0.20	Based on Offer Price per Share of HK\$0.26
Market capitalisation of our Shares ( <i>Note 1</i> )	HK\$260 million	HK\$338 million
Unaudited pro forma adjusted consolidated net tangible asset of the Group per Share ( <i>Note 2</i> )	HK\$0.06	HK\$0.08

*Notes:*

1. The calculation of our market capitalization upon completion of the Public Offering is based on the assumption that 1,300,000,000 Shares will be in issue and outstanding immediately following the completion for the Public Offering.
2. The unaudited pro forma adjusted consolidated net tangible asset of the Group per Share is calculated after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information — Unaudited pro forma adjusted consolidated net tangible assets of the Group" in Appendix II to this prospectus.



## SUMMARY

### DIVIDEND

During the Track Record Period, we declared dividends of nil, approximately HK\$5.2 million and nil for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, respectively. The dividend for the year ended 31 March 2016 was fully settled in March 2016.

We currently do not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends after 30 November 2016 may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. For additional details regarding dividends paid by us and the factors taken into account for declarations of dividends, please refer to the section headed "Financial Information — Dividend" in this prospectus.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds to be received by us from the Public Offering, after deducting related underwriting fees and estimated expenses payable by us in connection with the Public Offering, based on an Offer Price of HK\$0.23 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$47.8 million. Our Directors currently intend that the net proceeds will be applied as follows:

<b>Amount</b>	<b>Percentage of net proceeds</b>	<b>Purposes</b>
Approximately HK\$24.5 million	51.2%	Strengthening of our industry position and expansion of our business.
Approximately HK\$9.5 million	19.9%	Repayment of bank loans.
Approximately HK\$4.5 million	9.4%	Strengthening our technical and project management capabilities.
Approximately HK\$3.1 million	6.5%	Establishing a Macau office/warehouse.
Approximately HK\$2.0 million	4.2%	Purchase of tools and equipment.
Approximately HK\$4.2 million	8.8%	General working capital of our Group.

### RISK FACTORS

There are risks associated with any investment. The major risks relating to our business include (i) our failure to sustain growth rate given the project-based business of our Group, (ii) high concentration of our revenue in our top five projects, (iii) our failure to secure new business during the tender process. The major risk relating to our industry include (i) the prevailing market conditions in the construction industry and (ii) the demand for water features due to the change in trends in the preference and perceptions of the public, the project owners and the developers. For further details, please refer to the section headed "Risk Factors" in this prospectus.

## SUMMARY

### LISTING EXPENSES

The estimated listing expenses, which are non-recurrent in nature, are approximately HK\$27.0 million of which (i) approximately HK\$8.2 million for the issue of new Shares is expected to be accounted for as a deduction from equity; and (ii) approximately HK\$18.8 million has been or will be charged to the Group's profit or loss account before or upon completion of the Listing.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we have incurred listing expenses of nil, HK\$2.6 million and HK\$10.0 million respectively. It is expected that an amount of approximately HK\$2.5 million and HK\$3.7 million will be charged to our Group's profit or loss account for the four months ended 31 March 2017 and the year ending 31 March 2018 respectively. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ended 31 March 2017 would be materially and adversely affected by the estimated listing expenses mentioned above.

## DEFINITIONS

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

“Application Form(s)”	the <b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 12 May 2017 to take effect on the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Best Innovation HK”	Best Innovation Limited (佳藝創意有限公司), a company incorporated in Hong Kong with limited liability on 15 September 2009 and an indirect wholly-owned subsidiary of our Company
“Best Innovation (HK) Holdings”	Best Innovation (Hong Kong) Holdings Company Limited, a company incorporated in Samoa with limited liability on 19 January 2016 and a direct wholly-owned subsidiary of our Company
“Best Innovation Holdings”	Best Innovation Holdings Company Limited, a company incorporated in Samoa with limited liability on 16 December 2015 and a direct wholly-owned subsidiary of our Company
“Best Innovation Macau”	Best Innovation Limited (佳藝創意一人有限公司), a company incorporated in Macau with limited liability on 17 September 2014 and an indirect wholly-owned subsidiary of our Company
“Board”	the board of Directors
“CAGR”	an acronym for compound annual growth rate
“Capitalisation Issue”	the allotment and issue of 974,990,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Written shareholders’ resolution of the Company passed on 12 May 2017” in the section headed “Further information about the Company” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

## DEFINITIONS

“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted 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 Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants”	collectively, a CCASS Clearing Participant, a CCASS Custodian or a CCASS Investor Participant and “CCASS Participant” shall be construed accordingly
“China” or “PRC”	the People’s Republic of China, and for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“Chinney Alliance”	Chinney Alliance Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CLC International” or “Sole Sponsor”	CLC International Limited, a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO, acting as the sole sponsor to the Listing
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Hao Bai International (Cayman) Limited (浩柏國際(開曼)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 23 November 2015 under the Companies Law
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules

## DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of our Company, means Harmony Asia International and Mr. Nam
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 12 May 2017 entered into by each of our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries)
“Deed of Non-Competition”	the deed of non-competition dated 12 May 2017 entered into by each of our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries)
“Director(s)”	the director(s) of our Company
“First Pre-IPO Investor”	Global Equity Value Fund SPC FRO Capital Fund I SP, an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability on 5 January 2015, holding approximately 13.8% and 10.3% of the issued capital of our Company as at the Latest Practicable Date and immediately following completion of the Public Offering (without taking into account any Shares which may be issued pursuant to the Share Option Scheme), respectively
“F&S Report”	the report entitled “Independent Market Research — Hong Kong and Macau Water Related Facility Service Market” dated 8 May 2017 issued by Frost & Sullivan
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended, supplemented and/or otherwise modified from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group”, “we” or “us”	our Company and its subsidiaries
“Harmony Asia”	Harmony Asia Limited (浩栢亞洲有限公司), a company incorporated in Hong Kong with limited liability on 3 November 2006 and an indirect wholly-owned subsidiary of our Company

## DEFINITIONS

“Harmony Asia Holdings”	Harmony Asia Holdings Company Limited, a company incorporated in Samoa with limited liability on 16 December 2015 and a direct wholly-owned subsidiary of our Company
“Harmony Asia International”	Harmony Asia International Limited, a limited company incorporated in Samoa on 15 October 2015, which is wholly-owned by Mr. Nam and is a Controlling Shareholder
“HK eIPO White Form”	the application of Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards
“HK Government”	the Government of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“IMF”	the International Monetary Fund
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial Shareholders (within the meaning of the GEM Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Joint Lead Managers”	Ping An Securities Limited and CLC International
“Latest Practicable Date”	8 May 2017, being the latest practicable date before the printing of this prospectus for the purpose of ascertaining certain information in the prospectus before its publication
“Listing”	listing of the Shares on GEM
“Listing Date”	the date on which the Shares are first listed and from which dealings therein are permitted to take place on GEM



## DEFINITIONS

“Macau”	the Macau Special Administration Region of the People’s Republic of China
“mega-sized project”	a project which involves a contract sum exceeding HK\$10 million
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 19 January 2017 and as amended from time to time
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Nam”	Mr. Nam Ho Kwan, the founder, the Chairman, the Chief Executive Officer of our Group, an executive Director and a Controlling Shareholder
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.26 per Offer Share and expected to be not less than HK\$0.20 per Offer Share, such price to be fixed on or before the Price Determination Date
“Offer Share(s)”	325,000,000 new Shares being initially offered by the Company for subscription pursuant to the Public Offering as described in the section headed “Structure of the Public Offering” in this prospectus
“Pre-IPO Investors”	collectively the First Pre-IPO Investor and the Second Pre-IPO Investor
“Price Determination Date”	the date, expected to be on or before Monday, 22 May 2017 (or such later date as may be agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company), on which the Offer Price is fixed for the purpose of the Public Offering
“Project A”	a management contracting services contract in relation to the Water Circulation System for a lake and swimming pools in a hotel, casino, shopping and recreation complex in Coloane-Taipa, Macau entered into between our Group and Shun Cheong in 2014 with a contract sum of HK\$36.5 million
“Public Offering”	the offer by the Company of the Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed “Structure of the Public Offering” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act

## DEFINITIONS

“Reorganisation”	the reorganisation arrangements implemented by our Group in preparation for the listing of the Shares on the Stock Exchange which is more particularly described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Second Pre-IPO Investor”	Morgan Star Investment Limited, a company incorporated in the BVI with limited liability on 18 November 2015, holding approximately 11.2% and 8.4% of the issued capital of our Company as at the Latest Practicable Date and immediately following completion of the Public Offering (without taking into account any Shares which may be issued pursuant to the Share Option Scheme), respectively. It is wholly-owned by Mr. Chong Siu Pui, the cousin of Mr. Chong Kam Fung, a non-executive Director
“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, modified and supplemented from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 12 May 2017, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shun Cheong”	collectively, (i) Shun Cheong Building Services (Macau) Limited, a company incorporated in Macau with limited liability on 7 March 2003, (ii) Shun Cheong Electrical Engineering Company Limited, a company incorporated in Hong Kong with limited liability on 11 March 1975 and (iii) Chinney E&M (Maintenance) Limited, a company incorporated in Hong Kong with limited liability on 21 March 2003, all being Independent Third Parties and members of the group of companies held under Chinney Alliance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers, as amended, modified and supplemented from time to time
“TEA”	Themed Entertainment Association

## DEFINITIONS

“Track Record Period”	the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016
“Underwriters”	the underwriters of the Public Offering listed in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offering dated 15 May 2017 and entered into among our Company, our Controlling Shareholders, Mr. Nam (as the warranting Director), Mr. Ng Wan Lok (as the warranting Director), the Sole Sponsor, the Joint Lead Managers and the Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“United States” or “US”	the United States of America
“US\$”	United States dollars, the lawful currency of the US
“U.S. Securities Act”	The United States Securities Act of 1933 (as amended from time to time)
“Wellgo”	Wellgo Development Limited (formerly known as Wellgo Electronics Limited), a company incorporated in Hong Kong with limited liability on 6 August 2007 and is wholly-owned by Mr. Ng Wan Lok, our executive Director. As at the Latest Practicable Date, Wellgo was in the course of being deregistered
“ <b>WHITE</b> Application Form(s)”	the application form(s) for the Offer Shares for use by the public who require(s) such Offer Shares to be issued in the applicant’s/ applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for the Offer Shares for use by the public who require(s) such Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent

*Unless the context requires otherwise, translation of US\$ and MOP into HK\$ is made in this prospectus, for illustration purpose only, at the rates of US\$1.00 = HK\$7.80 and MOP1.03 = HK\$1.0.*

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

*Unless otherwise specified, all references to any shareholdings in our Company assume no allotment or issue of any Shares upon the exercise of any options which may be granted under the Share Option Scheme.*

## DEFINITIONS

*No representation is made that any amount in HK\$ or US\$ or MOP could have been or could be converted at the above rates or at any other rates or at all.*

*For ease of reference, the English translation of a Chinese name or a Portuguese name, or vice versa, has been provided for identification purpose only.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains an explanation of certain technical terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

“BIM”	an acronym for Building Information Modeling, a process of designing a facility collaboratively using a coherent system of computer models
“COD”	cash on delivery
“ISO”	a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO:9001”	an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for on-going improvement of quality assurance in design, development, production, installation and servicing
“pH”	a measure of the acidity or alkalinity of a solution, numerically equal to 7 for neutral solutions, increasing with increasing alkalinity and decreasing with increasing acidity. The pH scale commonly in use ranges from 0 to 14
“Water Circulation System(s)”	circulation and filtration system(s) of water-related facilities, such as swimming pool, water fountains, water curtains, spa facilities, etc. which serve the purpose of, inter alia, water distribution, removal of chemicals, sediment separation, make-up water supply and maintenance of water cleanliness

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases we use words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- the future competitive environment of Hong Kong and Macau;
- the regulatory environment as well as the general industry outlook for the industry which we are engaged in;
- future developments in the industry which we are engaged in; and
- the trend of the Hong Kong, Macau and global economy in general.

These statements are based on numerous assumptions, including those regarding our present and future business strategy and the environment in which we will operate in the future.

Our future results could differ materially from those expressed or implied by such forward-looking statements. In addition, various factors including, without limitation, those discussed in the sections headed “Risk Factors” and “Financial Information” in this prospectus may affect our future performance.

If one or more risks or uncertainties stated in the aforesaid sections materialise, or if any underlying assumptions to proved incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

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

## RISK FACTORS

*Potential investors of the Offer Shares should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment decisions in relation to our Company. The market price of the Offer Shares could decrease significantly due to any of these risks and uncertainties, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to our Company or which our Company currently deems immaterial may arise or become material in the future and may have a material adverse effect on the Company.*

*These risk factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, will not be updated after the date hereof, and is subject to the reservations in the section headed "Forward-looking Statements" in this prospectus.*

### RISKS RELATING TO OUR BUSINESS

**Our Group's business is project-based. We may not be able to sustain growth rate and profit margin similar to those we achieved during the Track Record Period, or maintain our liquidity position or results of operation in the future**

Our Group's business is project-based. We mainly derive our revenue from projects which are non-recurrent in nature. Fee collection and profit margin significantly depend on various factors of each project such as the terms of contracts, duration of project, variation orders, efficiency of implementation of contract work and the general market condition. In general, variation orders usually carry higher profit margin as compared with the works under original contracts. Therefore, revenue generated from our business is irregular and is subject to the availability of projects, variation orders and other factors beyond our control.

Our revenue amounted to approximately HK\$57.2 million, HK\$90.9 million and HK\$67.2 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. The significant increase in our revenue for the year ended 31 March 2016 as compared to that for the year ended 31 March 2015 was primarily due to the increased numbers of variation orders of Project A. The revenue derived from Project A amounted to approximately HK\$26.4 million, HK\$64.5 million and HK\$16.5 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. The profit, which does not take into account the unallocated costs, such as staff costs, derived from Project A amounted to approximately HK\$8.7 million, HK\$23.2 million and HK\$6.2 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Our revenues, expenses and operating results may also vary from period to period due to a variety of factors beyond our control, including but not limited to the general economic conditions, special events or regulatory framework in Hong Kong and Macau, and our ability to control costs and operating expenses. We recorded net profit of approximately HK\$6.7 million, HK\$9.6 million for the years ended 31 March 2015 and 2016 respectively and net loss of approximately HK\$1.6 million for the eight months ended 30 November 2016. Nevertheless, our historical results may not be indicative of our future performance. We cannot assure you that we will be able to maintain our current level of revenue and profit margin in the future or sustain growth rates and profit margin similar to those achieved during the Track Record Period. If there is a significant decrease in the number of projects, or size of projects in terms of contract sums awarded to us or if the amount of variation orders placed by our customers



## RISK FACTORS

decrease significantly for whatever reasons, and if we are unable to secure suitable projects of a comparable size and quantity as replacement, our financial conditions and results of operation would be materially and adversely affected.

**Approximately 74.6%, 85.7% and 75.4% of our revenue for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 were attributable to our top five projects, respectively and any decrease in the number of such sizeable projects in term of revenue recognised would affect our operations and financial results**

Our management contracting services is project-based. The number and size of the projects we can undertake depends on our human and other resources. Due to the size of our Group, a mega-sized project will occupy a substantial part of our resources and inevitably resulted in our Group not being able to deploy resources to other projects and as a result we have to rely on a single project or otherwise a small number of projects during the project period.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, the revenue recognised under our top five projects in terms of revenue recognised accounted for approximately 74.6%, 85.7% and 75.4% of our revenue, respectively. The award of projects with considerable contract sum to us will depend on our tendering strategy and the availability of such projects under the prevailing market conditions as detailed in paragraph headed “Risk Factors — Risks relating to the industry in which we operate” in this prospectus. There is no guarantee that we can maintain adequate number of sizeable contracts at all times in the future and in case of any decrease in the number of such sizeable projects awarded to us, our operating results and financial performances may be adversely affected.

### **Our business relies on the successful tenders that determine the award of contracts to us**

During the Track Record Period and up to the Latest Practicable Date, our contracts in respect of the provision of management contracting services are generally awarded to us through tendering process. In most of the cases, we rely on the potential customers to send invitation for tender to us such that we can proceed to prepare the tender documents in accordance with their requirements. Based on the best knowledge of our Directors, our potential customers will select and send invitations for tender to several potential sub-contractors which they consider appropriate to their projects. Our future growth and success depends on our ability to continue to receive invitation for tender, the availability of public/open tender and our capability to obtain new businesses through tendering. Given that our business is project-based which is non-recurrent in nature, we do not enter into any long-term agreement or master agreement with our customers and our customers may vary from year to year.

In addition, the success rate on tendering depends on a number of factors, which primarily include our tender price, experience, quality of our services, our performance ratings and the offer of the competitors in the internal rating systems of the customers according to the past projects. Even if we are able to meet the internal eligibility requirements for tendering, our tenders may or may not be selected by our customers and thus our business and operation results may be adversely affected.

We cannot assure that our current customers will continue to invite us in the tendering process in their projects in the future or whether we will be able to locate new customers through public/open tenders, or that we will be able to award projects from our potential customers in the future. Upon the completion of our contracts on hand, our financial performance may be adversely affected if our Group

## RISK FACTORS

is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all. Accordingly, our financial results during the Track Record Period may not be indicative to our future performance. Prospective investors should be aware of the risk of our Group failing to secure new contracts when considering our Group's future prospects.

### **Our reliance on other eligible party with respect to the mega-sized projects may affect our business and financial performance**

For mega-sized projects, we alone may not be able to satisfy the internal eligibility requirements set by the developers or the main contractors and therefore may not be considered as their preferred tenderer. Under such circumstances, we have to act as the sub-contractor of other eligible party to participate in those projects. Our Directors understand that such internal eligibility requirements may include (i) value of contracts handled by us in the past; (ii) our annual turnover; (iii) our financial position (whether we are strong enough to support the operating cash for completing the project); (iv) number and qualification of our technical staff; and (v) registration with relevant authorities in Hong Kong and Macau. Under such circumstances, we can only rely on those other eligible parties of the project for submission of tender and securing of businesses. Our financial performance may be adversely affected if our Group is unable to participate in mega-sized projects due to our inability to cooperate with those eligible contractors.

### **We engage sub-contractors to supply the workers in our projects and the work performance of the sub-contractors may be beyond our control**

Generally, our project works are labour intensive and our sub-contracting costs include labour costs of our sub-contractors. Subject to the needs of our customers, the project requirements and our own capacity and resources, we engage sub-contractors on a project-by-project basis to supply the workers for the installation works in our projects. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our sub-contracting cost amounted to approximately HK\$9.6 million, HK\$27.0 million and HK\$17.1 million, respectively, representing approximately 22.4%, 40.2% and 34.6% of our total cost of services, respectively. For details of our arrangements with sub-contractors, please refer to the section headed "Business — Our sub-contractors" in this prospectus.

We cannot guarantee the service quality provided by these sub-contractors and the workers employed and delegated by them to our projects and we cannot assure that our monitoring of the work and performance of our sub-contractors and their workers will be sufficient in controlling the quality of their work. If our sub-contractors fail to meet our or our customer's requirements and other operating standards or those standards required by the relevant laws and regulations in Hong Kong and Macau, we may experience delay in project completion, quality issues concerning the works done, or non-performance by sub-contractors. Consequently, we may incur significant time and costs to carry out remedial actions or other liabilities under the contracts with our customers, which may in turn adversely affect the profitability and reputation of our business, and result in litigation or claims against us.

There is no assurance that the supply of workers of relevant skills and experience will always be sufficient in the future. If there is a significant labour shortage, our sub-contracting fees and/or labour cost may increase and thus affect our profitability. On the other hand, our sub-contractors may also have their own working schedules among various projects and if we or our sub-contractors fail to retain the

## RISK FACTORS

existing workers and/or recruit sufficient workers in a timely manner to cope with our existing and future project works, we may not be able to timely complete our projects, which may affect the operation and reputation of our business.

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term agreement or master agreement with our sub-contractors. Our sub-contractors may not always be readily available whenever we need to engage them. There is no assurance that we would always be able to maintain working relationships in the future. They are not obliged to provide services to us in future projects on similar terms and conditions as they did in the past. We may need to offer remuneration higher than we anticipate to engage their services in the future. Further, there is no assurance that we would be able to find suitable alternative sub-contractors that meet our project needs and requirements to complete the projects, which would in turn adversely affect our operations and financial results.

**Our pricing is determined based on the estimated time and costs to be involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results**

Most of our contracts are awarded to us through tendering process. We have to determine the tender price and service fee of our project based on the information available to us at the time of submitting the tender. The tender price is determined by factors including the scope of works, the estimated duration of the project period, the total time cost and estimated cost involved. We determine the price of all our projects at fixed costs based on an agreed scope of works and our estimation of time cost and estimated cost involved. We are typically responsible for all of our costs including those of sub-contractors, and our ability to achieve our target profitability on any project is, to a large extent, dependent on our ability to accurately estimate and control these costs.

The actual time taken and costs incurred in completing our projects may be adversely affected by many factors which may be beyond our control such as delay in deliverables by sub-contractors, adverse weather conditions, shortage and cost escalation of consumables and sub-contractors, changes in project scope or conditions, extended construction period, disputes with other sub-contractors, unforeseen technical constraints or circumstances. Any of these can result in delays in completion of our projects or costs overrun. There is no assurance that the actual amount of time and costs would not exceed our estimation during the implementation of our projects. Any material inaccurate estimation in the time and costs involved in a project may result in a lower profit than originally contemplated, despite any buffer we may have built into our bids, which in turn adversely affect our profit margin and operational results. Failure to complete a project according to the project specification and quality standard in a timely manner may also result in legal claims, disputes, termination of our contract, liabilities and/or lower returns than anticipated on the project concerned. Such delays or failures to complete and/or unilateral termination of projects by our customers will affect our reputation and will have material adverse effect on our business operations and financial results.

**Fluctuations in the costs of consumables and the rentals of site equipment could adversely affect our business and financial performance**

We procure most of the consumables, such as water pipes, filters, pumps, valves, etc., and we lease some of the site equipment, such as electric scissor lift, from third-party suppliers. There is no assurance that we can always procure the consumables and/or lease the site equipments as and when we need them

## RISK FACTORS

and costs of the consumables and the rentals of site equipments may continue to fluctuate from time to time. There is no assurance that we can pass any additional costs incurred by us due to the fluctuation in the prices of the consumables and the rentals of site equipments onto our customers, or we can absorb the same by other mitigating measures in the future. We cannot guarantee that we would be able to identify suitable alternative sources of the consumables and site equipments with acceptable quality and price. In such event, the execution, completion and maintenance of our contract works may be affected and our operation and financial results may be adversely affected.

**Our customers pay us by way of progress payment and require retention money from us, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is released to us on time and in full, after the expiry of the defect liability period**

For our management contracting business, we normally receive progress payments from our customers with reference to the percentage of completion of the contract works done by us during the relevant month in accordance with the rates and prices based on the agreed tender price. In general, our customers hold up a retention money from the progress payment payable to us, the amount of which is equivalent to 10% of each progress payment and up to a maximum limit of 5% of the contract sum (subject to variation orders). The retention money is released to us after the expiry of the defect liability period and the issue of final accounts of the project. As at 31 March 2015 and 31 March 2016 and 30 November 2016, retention monies receivables amounted to approximately HK\$5.9 million, HK\$8.1 million and HK\$8.7 million respectively, were retained by our customers. On the other hand, we do not keep retention money from our sub-contractors. There can be no assurance that the financial position of our customers will remain healthy at all times in the future or our customer will pay us the progress payment or the retention money on time or in full. From time to time, we may also have prolonged negotiation with our customers with respect to the settlement of payment applications in respect of the progress payment, in particular, the percentage of work completed and the settlement of the relevant payment. Such negotiation may also affect our final payment collection. Any failure by our customers to make any payment on time or in full may have a material adverse effect on our liquidity position. Any failure by our customers to eventually pay the amount to us may have a material adverse effect on our financial position and operating results.

**We may be involved in legal claims and litigations, especially with Customer F, or exposed to indemnity liabilities in our ordinary course of business**

During the Track Record Period and up to the Latest Practicable Date, there has been some disagreements between us and Customer F as to (i) whether we have duly performed our contractual duty in a timely manner and to its satisfaction, and (ii) whether we have the capability to execute the project, and Customer F expressed concern on the progress of work rendered by us for the 2 projects respectively located at Kennedy Town and Sham Shui Po, which involves a contract sum of approximately HK\$7.2 million and variation orders of approximately HK\$5.0 million for the project in Kennedy Town and HK\$3.0 million for the project in Sham Shui Po. For the project in Kennedy Town, we have incurred a total cost of approximately HK\$4.2 million, HK\$5.2 million and nil for the year ended 31 March 2016, the eight months ended 30 November 2016 and the period after the Track Record Period and up to the Latest Practicable Date respectively. For the project in Sham Shui Po, for the year ended 31 March 2016, the eight months ended 30 November 2016 and the period after the Track Record Period and up to the Latest Practicable Date, we have incurred a total cost of approximately HK\$0.7 million, HK\$0.8 million and nil respectively. As of the Latest Practicable Date, contractual payments of

## RISK FACTORS

approximately HK\$3.5 million for the projects in Kennedy Town have been certified, out of which approximately HK\$2.0 million has already been paid to us for our progress work done. For the project in Sham Shui Po, none of the contractual payments have been certified nor paid to us. For details, please refer to section headed “Business — Major customers” in this prospectus. We cannot assure you that we will be able to recover all our remaining costs incurred in connection with the projects. Given that there is no arbitration or legal proceedings instituted relating to the disagreements with Customer F as at the Latest Practicable Date, the amount of damages that we may be liable for cannot be ascertained or reasonably estimated. Although we do not expect such disagreements to result in outcomes that would materially and adversely affect us, the outcome of the disagreement cannot be predicted with certainty.

We may also be involved in legal claims and litigations in the ordinary course of our business for, among others, defective services or installations, personal injuries or fatalities, damage to or destruction of property, payment disputes, breach of contract and delayed completion of projects. There is no assurance that we may be able to resolve every instance of disputes by way of negotiation and/or mediation with relevant parties. If we were found liable on legal claims and proceedings and regulatory enforcement actions, we could be liable for significant monetary damages, approvals and permits. In addition, we may be subject to lengthy and costly litigation. We might also suffer negative publicity resulting from such claims, which may adversely affect our ability to maintain relationships with our customers, secure new customers and/or expand our business. In addition, the measures we take to remedy any negative publicity may be costly, may force us to divert significant management attention to it, and may not generate the desired results. We cannot assure you that we will not be subject to future liability claims or that if any such claim is established, our business and results of operations would not be materially and adversely affected.

At present, there is no supervisory authority governing our Group’s business. Despite the lack of supervision framework for our business, the capability to provide the services and standard of services provided depend, to a large extent, on the requirements of our customers. In those contracts with our customers for our management contracting services, they usually contain a provision to the effect that our Group shall indemnify our customers against all losses, damages, costs and expenses incurred by our customers to the extent that the same arise by reason of any breach or non-compliance of the contracts by our Group. As such, we may be exposed to potential indemnity liabilities and any claims in this regard, which in turn may bring a negative impact on our financial conditions and results of operations.

### **We may be required to procure performance bonds which involve uncertainty as to possible loss to our Group**

Some of our customers may require us to procure performance bonds to be provided by a bank or an insurance company in favour of them as security for due performance and observance of our obligations under the contracts. In procuring such performance bonds, we are usually required to place a required amount of deposit to such bank or insurance company. If we fail to provide satisfactory services to our customers, such customers are entitled to seek compensation from the bank or insurance company for the amount of financial losses incurred not exceeding the amount of the performance bond. Our Group will then become liable to compensate the bank or insurance company accordingly. During the Track Record Period, no customers called any performance bond. There is no assurance that such performance bonds will always be available to us on similar and/or acceptable terms. If we cannot procure performance bonds from other banks or insurance companies on similar terms in case necessary, our operations may be adversely affected.

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### **We may face cashflow problem if we fail to manage our working capital in an effective manner**

As at 31 March 2015 and 2016 and 30 November 2016, our bank balances and cash were approximately HK\$2.4 million, HK\$8.8 million and HK\$1.6 million respectively. We normally incur cash outflow at the early stage of each project for procurement of consumables for carrying out our work. Our customers will pay progress payment after our work commence and such works and payments are certified by our customers or its consultant. Accordingly, the cash flows of a particular project will turn from net cash outflow at the early stage into accumulative net cash inflow gradually as the works continue.

We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we take up too many sizable projects at the same time, which require substantial amount of financial resources for procurement of consumables and/or performance bonds for carrying out the work without cash inflow from other projects at a particular point of time, our corresponding liquidity position may be adversely affected.

For our working capital management, please refer to the paragraph headed “Business — Working capital and cost management” in this prospectus. If we fail to manage our working capital in an effective manner, our operation and our liquidity position may be adversely affected.

### **We had negative operating cash flow for the year ended 31 March 2016 and eight months ended 30 November 2016**

We had negative cash flow from operating activities of approximately HK\$4.5 million and HK\$19.9 million for the year ended 31 March 2016 and the eight months ended 30 November 2016, respectively. For details of the reasons attributable to the negative cash flow from operating activities, please refer to the section headed “Financial Information — Liquidity and capital resources — Net cash from (used in) operating activities” in this prospectus. While our Directors believe that we have sufficient funds to finance our current working capital requirements, our operating cash flows may be adversely affected by factors that are beyond our control. We cannot assure you that we will not experience negative net operating cash flows in the future due to delays in payment by our customers or otherwise. Our future liquidity, the payment of trade and other creditors and accrued expenses, as well as the repayment of any debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities and/or proceeds from external financings. If we are unable to maintain adequate cash inflows, we may default on our payment obligations and may not be able to meet our capital expenditure requirements. As a result, our business, liquidity, results of operations and prospects may be materially and adversely affected.

### **We may not be able to maintain our Group’s market position and ranking in Macau after the completion of Project A**

According to F&S Report, our Company ranked the first in terms of sales revenue of water-related facility service market in Macau in 2016, accounting for approximately 35.9% of the total market share. However, a substantial portion of our Group’s revenue generated in Macau was attributable to Project A. In view of the fact that Project A is expected to be completed in June 2017, our Group may not be able to maintain our market ranking in Macau after completion of the same.



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### **The sizes of water-related facilities in Hong Kong are limited**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our revenue derived from projects in Hong Kong amounted to approximately HK\$24.9 million, HK\$21.3 million and HK\$35.7 million respectively, representing approximately 43.6%, 23.5% and 53.1% of our total revenue respectively. Water-related facilities in Hong Kong are usually limited in terms of size. We also anticipate that the property developer may not be willing to leave much space for construction of water-related facilities in their development projects. During the Track Record Period, most of our projects in Hong Kong were restricted to swimming pools with contract sums of less than HK\$5.0 million. Such limitations may restrict the future development of our business in Hong Kong, which may in turn adversely affect our profitability and prospects.

### **All risks in all consumables or other things forming or intended to form part of the contract works shall remain with our Group until the customer or its consultant certifies the practical completion of the contract works**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our cost of consumables amounted to approximately HK\$26.8 million, HK\$32.2 million and HK\$26.3 million respectively, representing approximately 62.7%, 47.8% and 53.0% of our total costs of services respectively. According to the agreements with our customers, one of the major terms is that we have to bear all the risks in all consumables or other things forming or intended to form part of the contract works until the customer or its consultant certifies the practical completion of the contract works. However, property rights in the same shall pass from our Group to the customer when the same are paid for by the customer or upon delivery to the site. Even though we have maintained insurance that we believe are customary for businesses of our size and type and in line with the standard commercial practice, we cannot assure you that all those consumables or other things would not be subject to physical loss, damage or deterioration by factors such as theft before the customer or its consultant certifies the practical completion of the contract works. If any of the consumables or other things forming or intended to form part of the contract works suffered physical loss, damage or deterioration and the same exceed the limits of our insurance coverage or the insurance coverage maintained by our customer, our Group may be liable for such loss, and our business, results of operations, profitability and liquidity could be adversely affected.



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### **Work performed by other sub-contractors employed by the customer may adversely affect our work performance**

Our customers for management contracting services mainly comprise developers, main contractors and sub-contractors. Their development projects comprise various parts, such as development of the residential buildings, hotels, casinos, the related recreation and leisure areas, etc. Water-related facilities are only part of their entire projects and our Directors understand that our customers also engage other sub-contractors to handle other parts of their projects. We are engaged by our customers to perform our work on the water-related facilities and we may be instructed to commence our work only after the other sub-contractors employed by our customers have completed their part such as the establishment of the foundation of the site and the construction of concrete structure. In particular, the concrete structure built by other sub-contractors must be able to match the design of the Water Circulation Systems such that the concrete structure can accommodate the various parts and components of the system, such as the plumbing system and the electrical system. There is no assurance that other sub-contractors will comply with all instructions issued by the customers, or their work may not affect or cause inconvenience or delay in our work schedule and planning. If the work of other sub-contractors fail to meet the planning of our customers, our work may be affected, which in turn adversely affect our business and operation.

### **We may not be able to secure experienced and competent management personnel and employees for our operations**

Due to the nature of our business, the expertise, skills and experiences of our Directors, senior management and other key employees are crucial to our Group. We consider human resources to be the most valuable intangible assets of our Group. The success of our Group depends, to a large extent, on the continued efforts of our executive Directors, senior management and other key employees. For biographical details of our executive Directors and senior management, please see the section headed “Directors and Senior Management” in this prospectus. There is no assurance that these key executives or personnel will not terminate their employment with our Group. If one or more of our senior executives or other key employees are unable or unwilling to continue their present positions, we may not be able to replace them promptly, or at all, which may affect of our operations.

Our success depends in part upon our ability to attract, retain and motivate a sufficient number of experienced and competent employees to manage our existing operations as well as our future growth. Our failure to retain enough competent employees could delay our expansion plans or result in frequent change of staff, which could have a material adverse effect on our business and operations. In addition, competition for qualified employees or changes in laws and regulations relating to minimum wages and/or maximum mandatory provident fund contribution could also require us to pay higher wages, which could result in higher labour costs.

### **Our operations are subject to inherent operational risks and hazards in connection with personal injuries and fatalities, which could cause us to incur substantial costs, damage to reputation and loss of future business**

Construction sites are potentially dangerous workplaces and our employees and others workers are working with construction machinery and equipment, moving motor vehicles, dangerous chemicals and materials. Despite our implementation of safety policies, we are still subject to risks surrounding these activities, such as equipment failure, construction accidents, fire, explosions or chemical poisoning. These hazards can cause personal injury or fatalities, as well as damage to or destruction of property and

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equipment. During the Track Record Period and up to the Latest Practicable Date, we had a zero fatality rate and none of our staff had been involved in any major accident. We cannot guarantee that material workplace accidents will not occur in the future despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation. Damage to our reputation as a result of workplace accidents, whether or not our fault, may cause us to lose future business, which may materially and adversely affect our business and results of operations.

### **We may experience delay of obtaining the certificate of practical completion**

Once we have completed the entire project, our customer will inspect the same and if our customer is satisfied with our works, our customer will issue a certificate of practical completion, which indicates that the contract works have been completed, tested and approved. Practical completion usually means (i) the works to be completed under the contract have been duly completed; (ii) there is no apparent defect; and (iii) the commencement of the defect liability period.

However, our works are usually only part of the works in the entire development projects of our customers and our customers will only issue the certificate of practical completion after all other works of the entire development are completed as well. Therefore, we may not be able to obtain the certificate of practical completion upon or shortly after the completion of our works but may experience delay in obtaining the same if other works of the entire development, which are totally beyond our control, are not yet completed. During such period, the risks of loss and damage of our works are still borne by our Group and we may also have to expend extra resources in maintaining our works as an on-going project. If we experience any material delay in obtaining the certificate of practical completion, it poses further uncertainties to our operations and our Group may be difficult to allocate our resources in the most efficient manner.

### **We failed to register with the Macau Financial Services Bureau for taxation purpose during the Track Record Period and if the relevant authority imposes penalty on us, our financial conditions may be negatively affected**

During the Track Record Period, Harmony Asia provided design, procurement and installation services of the Water Circulation Systems for projects located in Macau. The income from those Macau projects had been reported to Harmony Asia's accounts and assessed by the Inland Revenue Department of Hong Kong. According to our Macau tax adviser and as confirmed by our Macau legal adviser, Harmony Asia would have Macau profits tax exposure for its projects in Macau and the potential maximum aggregate amount of penalties which Harmony Asia may be liable is approximately MOP550,000. Harmony Asia has already applied to the FSB of Macau for tax registration in Macau and submitted its Macau tax return for the years 2011 to 2015. For details, please refer to the section headed "Business — Late tax registration and tax filings in respect of Harmony Asia in Macau" in this prospectus.

If any of the relevant laws are amended to the effect that heavier penalties are imposed on such failure to register and such amendments have retrospective effect, and if our Controlling Shareholders fail to indemnify us in full, this may have a negative impact on our financial conditions.

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### **We may suffer certain losses not covered by insurance**

As at the Latest Practicable Date, we have maintained insurance that we believe are customary for businesses of our size and type and in line with the standard commercial practice in those jurisdictions where we have operations. For more details on the insurance maintained by us, please refer to the section headed “Business — Insurance” in this prospectus. However, there are certain types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. Further, the insurance premium payable by us depends on various factors including the scope and contract sum of the projects undertaken by us and our insurance claim records with the insurer.

There is no assurance that the insurance premium payable by us will not increase in the future. Further, there is no assurance that there will not be any reduction or limitation of insurance coverage by insurers upon expiry of our current policies. If we are held liable for uninsured losses or the amounts and claims for insured losses exceed the limits of our insurance coverage or the insurance premium payable by us increases significantly, our business and results of operations may be materially and adversely affected.

### **We are generally required to provide 12-month defect liability period to our customers and may face claims associated with the defect liability**

As a contractor specialised in the design, procurement and installation services of the Water Circulation Systems, we may be subject to claims due to defects in relation to our services that exist but not yet discovered at the time of completion. Our customers would normally require a 12-month defect liability period, during which we are responsible for rectifying any defects in our works. If there are any significant claims against us for defect liability by our customers or other parties, we may have to expend extra human resources and/or incur significant costs in rectifying such defects and our profitability may be adversely affected.

### **There are uncertainties in the development of our maintenance services in the future**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, the revenue derived from our maintenance services business only amounted to approximately HK\$76,000, HK\$65,000 and HK\$67,000 respectively, representing approximately 0.1%, 0.1% and 0.1% of our revenue respectively and we only provided maintenance services of the water curtain structure in one residential development in Hong Kong. Our Group has to expend extra human resources in the provision of such services. However, due to the small size of the business segment, economies of scale could not be achieved.

While our Directors do not eliminate the possibility of providing maintenance services for other projects in the future, in particular those hotels, casinos, shopping and recreation complexes in Macau, there are uncertainties as to whether such maintenance services could be developed into a sizable and profitable business segment of our Group in the future or even if we secure new businesses for our maintenance services, whether such business segment can achieve economies of scale. Further, during the Track Record Period, we only provided maintenance services in Hong Kong. If we proceed to provide maintenance services in Macau, we may have to expend extra resources for such services. In the event that we fail to manage the development of our maintenance services or secure a sustainable level of business for such services, our operation and results of operation may be adversely affected.

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### **We cannot assure that we will declare any dividends on the Shares in the future**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we declared dividends of nil, approximately HK\$5.2 million and nil, respectively. Dividends declared and paid in the past may not be indicative of our Company's future dividends. We cannot assure you that we will declare or pay dividends in the future. Any future declaration of dividends will be at the absolute discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interest, and other factors which our Directors consider relevant.

The receipt of dividends from our operating subsidiaries may also be affected by the implementations of new laws or changes to existing laws and regulations, or other events out of our control. In addition, restrictions in our credit facilities or other agreements that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may affect our ability to pay dividends to our Shareholders.

### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

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

During the Track Record Period, our business operations were located in Hong Kong and Macau. Our customers are primarily developers, main contractors and sub-contractors in Hong Kong and Macau. The number of projects awarded to us depend highly on the prevailing market conditions in the construction industry, including availability of skilled workers, construction costs and materials costs, economic fluctuations in Hong Kong and Macau, availability of new projects in the private and public sector; and general conditions and development of the economy of Hong Kong and that of Macau. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

#### **We face competition from the other players in the market**

Our industry is competitive as there are over 15 participants in the market according to the F&S Report. Some of our competitors may have greater financial, marketing, management and other resources than we do. We compete with other contractors mainly on the basis of the competence and quality of our services, pricing of our services and provision of value-added services. Some of our competitors may have:

- greater financial and other resources;
- larger variety of services;
- higher competence in designing and creating special effect of their water-related facilities;
- greater competitiveness in pricing;

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- stronger brand recognition; or
- more established and solid customer base.

As a result, we may not be able to offer services which are as competitive as to those offered by our competitors, or promote our services as effectively as our competitors. We cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Further, there is no assurance that any of our existing customers will never develop their own operation relating to design, procurement and installation of Water Circulation Systems and if our customers do so, it will in turn reduce the number of projects available for our Group and the industry as a whole and our business and results of operation will be adversely affected. Increased competition could result in reduction in service fees and loss of our market share, which could have a material adverse effect on our financial condition and results of operations.

### **Requirements on special effect on water-related facilities may change from time to time**

Water-related facilities, in particular water fountains, may combine with other special effects, such as lighting effect, sound effect, special water ejection effect, dancing water, other special image projection on water surface or curtains, or fusion with other features such as fire, etc. and such effects may become tourist attractions and have substantial commercial value from the point of view of project owners and developers. Failure of our Group to follow the market trends to develop our capability in handling and making such special effects, or cooperating with other service providers in making such effects, may result in loss of business and adverse change in our results of operation.

### **There is no assurance that preference and perception of the public, the project owners and/or the developers will not shift away from water landscape**

Our business depends largely on the availability of projects relating to water landscape, such as water fountains. Nevertheless, there is no assurance that the preference and perception of the public will not shift away from water landscape to other types of landscapes or features. Water landscape is not a necessity and the project owners and developers may adjust their strategies to other types of features, taking into account the costs, benefits and market trends relating to those features. Such other types of features may include image projection, other types of mechanical installation and effects, fire effects, magic effects, etc. and may equally become tourist attraction as compared with water features.

In the event that the preference and perception of the public, the project owners and/or the developers shift away from water landscaping, the demand for the type and size of water-related facilities which our Group is competent in may decrease, which may in turn adversely affect our business and results of operation.

### **Technological advance may substitute part of our services**

In our management contracting services and our consultancy services, our Group provides design services on Water Circulation System. Design of Water Circulation System requires persons possessing the relevant expertise and experiences. Nevertheless, there is no assurance that such function will never be substituted by technology or other artificial intelligence. In the event that any advance in technology substitutes, in part or in whole, the design of Water Circulation System, the demand for our design services of Water Circulation Systems and hence our results of operation may be adversely affected.

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### **Costs of water supply may affect our business**

Water is a scarce resource and there are costs in obtaining water supply. Water-related facilities, such as water fountains and swimming pools, require large amount of water. A significant portion of water of Hong Kong and Macau are supplied from the PRC. In the event that the costs of water supply, whether within Hong Kong or Macau or from the PRC increases due to any reason whatsoever, the project owners or developers may consider adjusting their development strategies and chooses not to construct such number, sizes and/or types of water-related facilities which our Group is competent in, which may in turn affect our business and results of operation.

### **Our prospects may be adversely affected by natural disasters, acts of God, occurrence of epidemics and terrorist activities**

Our business is subject to general economic and social conditions around the world, in particular in Hong Kong and Macau. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect local economies, infrastructure and livelihoods. Hong Kong and Macau are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (“SARS”), Middle East Respiratory Syndrome (“MERS”), H5N1 avian flu, Ebola, as well as influenza caused by H7N9 and H3N2 or the human swine flu, also known as influenza A (“H1N1”) virus. These may have an adverse impact on the economies of these regions. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the local economies in Hong Kong and Macau. A recurrence of SARS or an outbreak of any other epidemics in Hong Kong and Macau, such as the H5N1 avian flu, MERS or the human swine flu, could interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. With respect to political and economic conditions, unpredictable events such as political turmoil, terrorist activities and civil unrest may occur unexpectedly in Hong Kong or some countries or regions and these activities may impair our future business development.

### **RISK RELATING TO CONDUCTING BUSINESS IN HONG KONG AND MACAU**

#### **Our operating results depend heavily on, among others, the market of Hong Kong and Macau, and the statutory and regulatory control on Water Circulation Systems, construction workers and environment in Hong Kong and Macau**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, approximately 43.6%, 23.5% and 53.1% of our revenue were derived from Hong Kong and approximately 56.4%, 76.5% and 46.9% of our revenue were derived from Macau. Since our projects are located in Hong Kong and Macau, we are subject to any changes in the laws and regulations and economic or social events and circumstances of Hong Kong and Macau. If any event or circumstance arises in Hong Kong and/or Macau that cause detrimental effect to us, our business, financial condition, results of operations and growth prospects may be adversely affected.

Our business performance can also be affected by factors such as legal and regulatory requirements on Water Circulation Systems, construction workers and environment in Hong Kong and Macau. For example, following the amendment of the Construction Workers Registration Ordinance (Cap. 583 of the Laws of Hong Kong) in 2014, the implementation of the requirement of registered workers for designated trades under the construction workers registration scheme in 2017 specifies that only



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registered or semi-skilled construction workers of specified trade divisions are allowed to carry out related construction works. There is no assurance that we will not incur extra costs on workers training and recruitment for workers to obtain the specified recognised qualifications. There is also no assurance that there will be no changes in the general public perception, government policies and environmental protection and statutory or regulatory control relating to Water Circulation Systems, construction workers and environmental impacts in Hong Kong and Macau as well as the implementation of such policies. Unfavourable changes in any of these factors may result in significant decrease in the demand for our services, thereby our results of operations may be adversely and materially affected.

### **The state of economy and regulatory environment in Hong Kong and Macau may adversely affect our performance and financial conditions**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we derived approximately 43.6%, 23.5% and 53.1% of our revenue from projects located in Hong Kong respectively. We plan to continue to base and capture business opportunities in Hong Kong following the completion of the Public Offering. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we derived approximately 56.4%, 76.5% and 46.9% of our revenue from projects located in Macau, respectively. Projects in Macau involves certain risks not typically associated with projects outside Macau, including risks relating to Macau's economic and social conditions, changes in Macau governmental policies, Macau laws or regulations or their interpretation, exchange control regulations, potential restrictions on foreign contractors and, measures that may be introduced to control inflation such as interest rate increases, and changes in the rates or method of taxation. In addition, our projects or operations in Macau are exposed to risk of changes in laws and policies that govern foreign contractors or operations of Macau-based companies. If any of the general economic conditions, employment and job market conditions perform unsatisfactorily, our results of business, financial condition and operations may be adversely affected.

Further, Hong Kong and Macau are in general small-sized economy and are vulnerable to the change in the global economic environment. The global financial crisis in 2008, European sovereign-debt crisis and the tentative exit of the United Kingdom from the European Union caused substantial volatility in the capital markets and a downturn in the global market. Demand for our services depends on, inter alia, the availability of development projects and the development of tourism and gaming industry, both of which are easily affected by the general economic environment. In the event that there is any significant economic event, at the regional or global levels, our business and results of operation may be adversely affected.

### **The state of political environment in Hong Kong and Macau may adversely affect our performance and financial conditions**

Hong Kong is a special administrative region of the People's Republic of China and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country,



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two systems” principle and the level of autonomy as currently in place at the moment. Demonstrations in Hong Kong in recent years have caused uncertainties to the overall business environment of Hong Kong. Besides, filibustering over funding applications and/or other controversies happened in the Legislative Council in Hong Kong may delay the approval of or reduce the funding of planned public construction projects. Since a substantial part of our operations are located in Hong Kong, if the Hong Kong economy is adversely and materially affected by the demonstrations or other similar actions, the stability of the economy in Hong Kong may be adversely threatened, thereby directly and negatively affecting our results of operations and financial positions.

Similar to Hong Kong, Macau is a special administrative region of the People’s Republic of China and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Macau. However, we are not in any position to guarantee the implementation of “one country, two systems” principle and the level of autonomy as currently in place at the moment. Minor demonstration has also occurred occasionally in the past in Macau. There are uncertainties on whether any conflict will repeat or appear in other manner in the future. Since a substantial part of our business are located in Macau, if the Macau economy is adversely and materially affected by the conflicts, the stability of the economy in Macau may be adversely threatened, thereby negatively affecting our results of operations and financial positions.

### **The policy of the HK Government on issue of swimming pool licence will affect our business**

We generated revenue from projects located in Hong Kong which accounted for approximately 43.6%, 23.5% and 53.1% of our revenue for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, respectively. Most of those projects involve design, procurement and installation of Water Circulation Systems of swimming pools. Since the commencement of our business and during the Track Record Period, a major portion of our business in Hong Kong involves installation of Water Circulation Systems of swimming pools. After a swimming pool is built, it is required to obtain swimming pool licence from the HK Government before it commences operation. As part of our services, we will usually apply for such licence for our customers. We cannot assure that the policy of the HK Government on swimming pool licence will not change in the future. If the HK Government changes its policy and requirements on those licence, we may have to expend extra resources to comply with such policies and requirements, which will in turn affect our financial positions and results of operations.

Further, any adverse change in the policies and requirements on swimming pool licence by the HK Government may also affect the desire of the developers to construct swimming pools, which will in turn affect our business.

### **Macau Government may shift their development focus to other area**

During the Track Record Period, our projects in Macau are mainly related to construction of hotel, casino, shopping and recreation complexes. Since the transfer of sovereignty of Macau in 1999, Macau has put emphasis on development of casinos and other tourist attractions. However, there are comments from the public that Macau relies too heavily on such industry and should diversify their development to other area. There are recent trend that Macau may also try to develop as a place for international convention and exhibitions. There is no assurance that the Macau government will not shift its development focus to other area which is unrelated to water-related features, which in turn affect the

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number of potential projects for our business and hence the demands for our services. If the Macau government reduces the development of new hotels, casinos, shopping and recreation complexes, our business and results of operation may be adversely affected.

### **Unfavourable changes in currency exchange rates could affect our financial condition**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our Group generated revenues of approximately HK\$32.2 million, HK\$69.6 million and HK\$31.5 million from projects located in Macau, respectively. Although our revenues are expressed in Hong Kong dollars, the revenue generated in Macau may be in MOP. We cannot assure you that the current rate of exchange will remain at the same level. Any currency fluctuation may affect our financial condition.

## **RISKS RELATING TO THE SHARES AND THE PUBLIC OFFERING**

### **Potential conflict of interests between our Controlling Shareholders and other Shareholders**

Immediately following the Capitalisation Issue and the Public Offering, our Controlling Shareholders collectively will beneficially own approximately 56.3% of the Shares (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, acquisitions and the sale of all or substantially all of the assets, election of Directors and other significant corporate actions. In cases where their interests are aligned and they vote together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us. We cannot assure that our Controlling Shareholders will act entirely in our interest or that conflicts of interest will be resolved in our favour. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and our Controlling Shareholders are entitled to vote according to their interests.

### **There is no prior market for the Shares and the liquidity and market price of the Shares may be volatile.**

Before the Public Offering, no public market for our Shares existed. We have made an application to the Stock Exchange for the listing and trading of our Shares. There is no assurance that the Listing will result in the development of an active, liquid public trading market for our Shares after the Public Offering.

In addition, the price and trading volume of our Shares may be volatile since factors such as variations in our Group's revenues, earnings and cash flows or any other developments, may affect the volume and price at which our Shares will be traded.

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### **Issuance of new Shares or equity linked securities may cause dilution in shareholding**

We may need to raise additional funds in the future to finance our future plans, whether in relation to existing operations, expanding business or otherwise. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a proportional basis in accordance with the shareholding of existing Shareholders, then (i) the shareholding interest of our existing Shareholders in our Company may be diluted, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of our existing Shareholders.

### **Further sale of our Shares or major divestment of Shares by any major Shareholders could adversely affect the Share prices**

Future issues of securities by our Company or the disposal of our Shares by any of our major Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of our Shares. Shares held by our Controlling Shareholders are subject to certain lock-up period. Please see the section headed “Underwriting — Undertakings under the GEM Listing Rules” in this prospectus for details. We cannot assure that our major Shareholders will not dispose of the Shares they may own now or in the future.

### **Statistics and industry information may come from various sources which may not be reliable**

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. While our Directors and the Sole Sponsor have taken reasonable care to ensure that such facts and statistics in this prospectus are accurately reproduced, we have not independently verify these facts and statistics. Our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors and advisors or any other parties involved in the Public Offering do not make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics in this prospectus may be inaccurate or may not be comparable from period to period to facts and statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

### **There are risks associated with the forward-looking statements contained in this prospectus**

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”, “estimate”, “expect”, and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions are proved to be incorrect, our financial conditions may be adversely affected and may vary materially from those described herein as believed, considered, estimated or expected.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Public Offering. Before the publication of this prospectus, there may be press and media coverage regarding the Public Offering and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, our Group disclaims it. Accordingly, potential investors of the Offer Shares should make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

**WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

The accountants' report of the Company contained in Appendix I to this prospectus is currently prepared to cover two full financial years ended 31 March 2016 and eight months ended 30 November 2016.

Rules 7.03(1) and 11.10 of the GEM Listing Rules provides that the accountants' report contained in this prospectus must include the consolidated results of our Group in respect of each of the two financial years immediately preceding the issue of this prospectus, or such period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (WUMP) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from compliance with Provisions) Notice), the Company is required to include in this prospectus a statement as to, *inter alia*, the gross trading income or sales turnover (as may be appropriate) of our Group during each of the two financial years immediately preceding the issue of this prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from compliance with Provisions) Notice), our Company is required to include in this prospectus a report by the auditors of our Company with respect to, *inter alia*, the profits and losses and assets and liabilities of our Group for each of the two financial years immediately preceding the issue of this prospectus.

Pursuant to section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), all reference to "3 preceding years", "3 financial years" and "3 years" in paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance are substituted by a reference to "2 preceding years", "2 financial years" and "2 years", respectively, for a prospectus issued in relation to an application for the listing of securities on GEM.

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

**WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

We have applied for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules from the Stock Exchange and a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance from the SFC by permitting the non-inclusion in this prospectus of the consolidated financial results of the Group for the full financial year ended 31 March 2017 and issue of this prospectus containing the audited consolidated financial results of the Group for the two financial years ended 31 March 2016 and the eight months ended 30 November 2016 on the following grounds:

- (i) Our Directors confirmed that all information necessary for the public to make an informed assessment of our activities, assets and liabilities, financial position, management and prospects has been included in this prospectus and that, as such, the waiver granted by the Stock Exchange and the exemption granted by the SFC from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and the requirements under section 342(1) of the Companies (WUMP) ordinance in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, respectively, will not prejudice the interests of the investing public. Our Directors and the Sole Sponsor confirmed that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospect since 30 November 2016 and there has not been any event since 30 November 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the section headed "Financial Information" in this prospectus and the profit estimate for the year ended 31 March 2017.
- (ii) Strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) for prospectus issued in relation to an application for the listing of securities on GEM) would inevitably delay the listing timetable further as the financial statements are required to be audited up to 31 March 2017 and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountants' report to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended 31 March 2017 to be finalized in a short period of time. The Directors consider that the benefits of such work to the existing and prospective shareholders of the Company may not justify the additional work and expenses involved and the delay of the listing timetable, given that there has been no material adverse change in the financial position of the Group since the expiry of the period reported on by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu have disclosed any material event which has arisen since 30 November 2016 under the note on subsequent events of the Accountants' Report.

**WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES AND  
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE**

The Stock Exchange has granted us a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules on the conditions that:

- (i) the Listing Date shall not be later than two months after the latest financial year end of the Company, i.e. on or before 31 May 2017;
- (ii) the SFC granting a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (WUMP) Ordinance in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;
- (iii) the fulfilment of the requirement under Rule 11.11 of the GEM Listing Rules pursuant to which the latest financial period reported on in the accountants' report of the Company contained in Appendix I to this prospectus must not have ended more than 6 months before the date of this prospectus;
- (iv) a profit estimate for the year ended 31 March 2017 which complies with Rules 14.29 to 14.31 of the GEM Listing Rules will be included in this prospectus;
- (v) a Directors' statement that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from 30 November 2016 to the date of this prospectus will be included in this prospectus; and
- (vi) the Company shall publish its results announcement for the financial year ended 31 March 2017 no later than 30 June 2017 in compliance with Rule 18.49 of the GEM Listing Rules.

The SFC has also granted us a certificate of exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance in relation to the inclusion of the accountant's report for the full year ended 31 March 2017 in this prospectus on the conditions that:

- (i) this prospectus shall be issued on or before 16 May 2017 and the Shares shall be listed on GEM on or before 31 May 2017; and
- (ii) the particulars of the exemption shall be set out in this prospectus.

In accordance with Guidance Letter HKEx-GL25-11, a profit estimate of our Group for the year ended 31 March 2017 which complies with Rules 14.29 to 14.31 of the GEM Listing Rules has been set out in Appendix III to this prospectus.



## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFERING**

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

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

### **INFORMATION ON THE PUBLIC OFFERING**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. This prospectus is published solely in connection with the Public Offering. Details of the terms of the Public Offering are described in the section headed "Structure of the Public Offering" in this prospectus and in the related Application Forms. So far as the Public Offering is concerned, no person is authorized 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 authorized by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Public Offering.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus sets out the terms and conditions of the Public Offering.

This prospectus is published solely in connection with the Public Offering, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement and subject to our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) agreeing the Offer Price). Further information about the Underwriter and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, or such later date or time as may be agreed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. If, for whatever reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by the Price Determination Date, the Public Offering will not proceed and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed "Structure of the Public Offering" in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFERING**

### **RESTRICTIONS ON THE SALE OF 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 offering 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 a public offering or the general distribution of this prospectus and/or the Application Forms. Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite or solicit offers in any jurisdiction other than Hong Kong 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. Persons who possess this prospectus and/or the Application Forms are deemed to have confirmed to the Company, the Sole Sponsor and the Underwriters that such restrictions have been observed.

The distribution of this prospectus and the Application Forms and the offering and sales 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 offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

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 applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised to give any information in connection with the Public Offering, 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 Sole Sponsor, the Joint Lead Managers and the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Public Offering.

Each person subscribing for or purchasing the Offer Shares will be required or deemed by his/her/its subscription or purchase of Offer Shares to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing for and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

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

Our fully-paid Shares are freely transferable. The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFERING**

Our Company's principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Conyers Trust Company (Cayman) Limited, and our Company's branch register of members will be maintained in Hong Kong by our Hong Kong branch share registrar, Tricor Investor Services Limited.

All the Shares will be registered on the branch register of members of our Company in Hong Kong. Only Shares registered on our branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees. Dealings in the Offer Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. Under section 44B(1) of the Companies (WUMP) 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 Public Offering 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, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

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).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult an expert. None of our Company, the Directors, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Public Offering accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFERING**

### **STRUCTURE AND CONDITIONS OF THE PUBLIC OFFERING**

Details of the structure and conditions of the Public Offering, including conditions of the Public Offering are set out in the section headed “Structure of the Public Offering” in this prospectus.

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

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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

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

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

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 26 May 2017. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8431.

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 register of members 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.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

## INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFERING

### ROUNDING AND EXCHANGE RATE

Any discrepancies in any table and chart between totals and sums of amounts listed therein are due to rounding.

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

HK\$1.00: MOP1.03

HK\$7.80: US\$1.00

Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into MOP or US\$ at such rates or any other exchange rates, or vice versa.

## DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFERING

### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors:</i>		
Nam Ho Kwan (藍浩鈞)	Flat C, 73/F, Block 1 The Arch No. 1 Austin Road West Kowloon, Hong Kong	Chinese
Ng Wan Lok (吳蘊樂)	Flat A, 18/F Forum Court, Pictorial Garden, Phase 2 23 On King Street Shatin New Territories, Hong Kong	Chinese
Wong Wing Hung (王詠紅)	Flat C, 27/F, Vista 188 Fuk Wa Street Sham Shui Po, Hong Kong	Chinese
<i>Non-executive Directors:</i>		
Tan Kean Ee (陳鏗亦)	Flat A, 2/F, Kentlum Mansion 329 Ngau Tau Kok Road Kwun Tong Kowloon, Hong Kong	Chinese
Chong Kam Fung (莊金峰)	Flat G, 19/F, Tower 3A 33 Tsing King Road, Phase I Tierra Verde, Tsing Yi New Territories, Hong Kong	Chinese
<i>Independent Non-executive Directors:</i>		
Wu Kam On Keith (鄺錦安)	Flat D, 6/F, Tower 18 Mayfair By The Sea I 23 Fo Chun Road Tai Po, New Territories, Hong Kong	Chinese
Chan So Fong (陳素芳)	Flat B, 28/F., Tower I Jupiter Terrace No. 18 Jupiter Street North Point, Hong Kong	Chinese
Kwong Tsz Ching Jack (鄺子程)	49K, Manhattan Heights 28 New Praya, Kennedy Town Kennedy Town, Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFERING

### PARTIES INVOLVED IN THE PUBLIC OFFERING

#### **Sole Sponsor**

CLC International Limited  
*A corporation licensed under the SFO  
and permitted to carry out Type 1 (dealing in securities)  
and Type 6 (advising on corporate finance) of the regulated  
activities as defined in the SFO.*  
13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

#### **Joint Lead Managers**

Ping An Securities Limited  
*A corporation licensed under the SFO  
and permitted to carry out Type 1 (dealing in securities),  
Type 4 (advising on securities), Type 6 (advising on  
corporate finance) and Type 9 (asset management) of the  
regulated activities as defined in the SFO.*  
Unit 02, 2/F  
China Merchants Building  
152–155 Connaught Road Central  
Hong Kong

CLC International Limited  
*A corporation licensed under the SFO  
and permitted to carry out Type 1 (dealing in securities)  
and Type 6 (advising on corporate finance) of the regulated  
activities as defined in the SFO.*  
13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

#### **Legal advisers to the Company**

*As to Hong Kong laws*  
CFN Lawyers in association with Broad & Bright  
27th Floor, Neich Tower  
128 Gloucester Road  
Wan Chai  
Hong Kong

*As to Macau laws*  
Nuno Simões & Associates  
Alameda Dr. Carlos D'Assumpção No. 336,  
Cheng Feng Commercial Center, 17.º Andar., O, Macau



## DIRECTORS AND PARTIES INVOLVED IN THE PUBLIC OFFERING

*As to Samoan laws*

Stevensons Lawyers  
First & Ground Floors, NPF Building  
P.O. Box 210, Apia, Samoa

*As to Cayman Islands law*

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

**Legal advisers to the Sole Sponsor,  
the Joint Lead Managers,  
and the Underwriters  
as to Hong Kong laws**

F. Zimmern & Co.  
Rooms 1002–1003, 10th Floor  
York House  
The Landmark  
15 Queen’s Road Central  
Central  
Hong Kong

**Auditor and reporting accountant**

Deloitte Touche Tohmatsu  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Compliance adviser**

CLC International Limited  
*A corporation licensed under the SFO  
and permitted to carry out Type 1 (dealing in securities)  
and Type 6 (advising on corporate finance) of the regulated  
activities as defined in the SFO.*  
13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

**Receiving Bank**

The Bank of East Asia, Limited  
10 Des Voeux Road Central  
Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office in the Cayman Islands</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Room 95-12, 12/F, No. 93-95 Lai Chi Kok Road Prince Edward, Kowloon Hong Kong
<b>Company secretary</b>	Mr. Chong Ching Hoi, <i>Certified Public Accountant</i> Room 3209, 32/F, Block B Lai Yan Court, 278 Lai King Hill Road New Territories, Hong Kong
<b>Compliance officer</b>	Ms. Wong Wing Hung
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Nam Ho Kwan Flat C, 73/F, Block 1, The Arch, No. 1 Austin Road West Kowloon, Hong Kong  Mr. Chong Ching Hoi, <i>Certified Public Accountant</i> Room 3209, 32/F, Block B Lai Yan Court, 278 Lai King Hill Road New Territories, Hong Kong
<b>Members of Audit Committee</b>	Mr. Wu Kam On Keith ( <i>Chairman</i> ) Mr. Chong Kam Fung Ms. Chan So Fong Mr. Kwong Tsz Ching Jack
<b>Members of Remuneration Committee</b>	Ms. Chan So Fong ( <i>Chairman</i> ) Mr. Tan Kean Ee Mr. Wu Kam On Keith Mr. Kwong Tsz Ching Jack
<b>Members of Nomination Committee</b>	Mr. Nam Ho Kwan ( <i>Chairman</i> ) Mr. Wu Kam On Keith Ms. Chan So Fong Mr. Kwong Tsz Ching Jack
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

## CORPORATE INFORMATION

**Hong Kong branch share registrar  
and transfer office**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal bankers**

Nanyang Commercial Bank, Limited  
151 Des Voeux Road Central  
Hong Kong

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

Dah Sing Bank Limited  
Dah Sing Financial Centre  
108 Gloucester Road  
Hong Kong

Banco Nacional Ultramarino  
Avenida de Almeida Ribeiro, No. 22  
Macau

**Website**

[www.harmonyasia.com](http://www.harmonyasia.com)  
(information of this website do not form part of this  
prospectus)

## INDUSTRY OVERVIEW

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

### ENGAGEMENT OF INDEPENDENT INDUSTRY CONSULTANT

We have commissioned a report from Frost & Sullivan, an independent third party, to conduct an analysis of, and to report on, the Hong Kong and Macau water-related facility service market. A total fee of HK\$588,000 was paid to Frost & Sullivan for the research and preparation of the report (the “F&S Report”), and we believe that such fee reflect the market rate. The payment of such amount is not contingent upon the completion of the Public Offering.

### ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm which was founded in 1961 in New York. It has over 40 offices globally, employing more than 2,000 consultants, market research analysts, IT analysts and economists. Frost & Sullivan’s services include conducting independent research on latest IT development trends and producing independent market research and economic research; advising and provision of training on corporate best practices, competitive intelligence and corporate strategies. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environmental and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. Frost & Sullivan has been covering different industries markets in Hong Kong in the PRC since the 1990’s. Frost & Sullivan has four offices in the PRC. For preparation and issuance of the industry report, Frost & Sullivan employed several market consultants, who have an average of more than five years of experience in the water-related facility service market in Hong Kong and Macau.

### RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in the F&S Report is summarized as below:

- Analyse the market and identify the problems and issues faced by the market participants, the key challenges they have and the opportunities for growth that may arise.

## **INDUSTRY OVERVIEW**

- Conduct primary research on market by interviewing market participants for the latest data and insights on prospective predictions.
- Design and formulate data collection process and conduct secondary research based on data from Frost & Sullivan's database, relevant trade journals or industry publications, official statistics published by government agencies or departments.
- Develop market trends/ forecast based on analysis of the data collected.

### **RELIABILITY OF INFORMATION IN THE FROST & SULLIVAN REPORT**

Frost & Sullivan considers that the source of information are reliable as it is general market practice to adopt official data, research reports and announcements made and published by government departments. Besides, Frost & Sullivan also utilized both types of sources including primary interviews and secondary research to validate all data and information collected, with no reliance on any single source.

### **SOURCE OF INFORMATION**

Except as otherwise noted, all the data and forecasts in this section are derived from the F&S Report. We have included certain information from the F&S Report in this prospectus because we believe that such information facilitates an understanding of water-related facility service market in Hong Kong and Macau for prospective investors.

### **ASSUMPTIONS**

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions for historical data and projection: (i) the economies of Hong Kong and Macau are likely to experience steady growth across the forecast period; (ii) the social, economic and political environments of Hong Kong and Macau are likely to remain stable during the forecast period; and (iii) there is no external shock, such as war, financial crisis or natural disasters during the forecast period.

### **ECONOMIC GROWTH IN HONG KONG AND MACAU**

The Hong Kong economy experienced a steady growth in recent years. According to the Census and Statistics Department of Hong Kong, the nominal GDP in Hong Kong grew from approximately HK\$1,776.3 billion in 2010 to approximately HK\$2,489.1 billion in 2016. According to the IMF, the nominal GDP in Hong Kong is expected to reach HK\$2,956.3 billion in 2020, representing a CAGR of 4.4% from 2016 to 2020.

The per capita nominal GDP in Hong Kong increased from approximately HK\$251,887 in 2010 to approximately HK\$337,875 in 2016, realizing a CAGR of 5.0% from 2010 to 2016. According to IMF, the per capita nominal GDP in Hong Kong is expected to reach HK\$388,962 in 2020, representing a CAGR of 3.6% from 2016 to 2020.

Similar to the Hong Kong economy, the Macau economy experienced a steady growth in the years between 2010 and 2016 as a result of the growth of its gaming industry and tourism industry. According to the Statistics and Census Department of Macau, the nominal GDP in Macau grew from approximately

## INDUSTRY OVERVIEW

MOP225.1 billion in 2010 to approximately MOP352.2 billion in 2016, representing a CAGR of 7.8%. The per capita nominal GDP in Macau increased from approximately MOP407,481 in 2010 to approximately MOP535,633 in 2016, representing a CAGR of 4.7% from 2010 to 2016.

However, due to the decline in Macau’s gaming industry caused by the China’s anti-corruption campaign, it is expected that the Macau economy may experience a slowdown when compared to the years from 2010 to 2016. The nominal GDP of Macau decreased by 2.9% in 2016. According to the IMF, the nominal GDP of Macau is expected to reach MOP403.4 billion in 2020, representing a CAGR of 3.4% from 2016 to 2020 and the per capita nominal GDP in Macau is expected to reach MOP574,166 in 2020, representing a CAGR of 1.8% from 2016 to 2020.

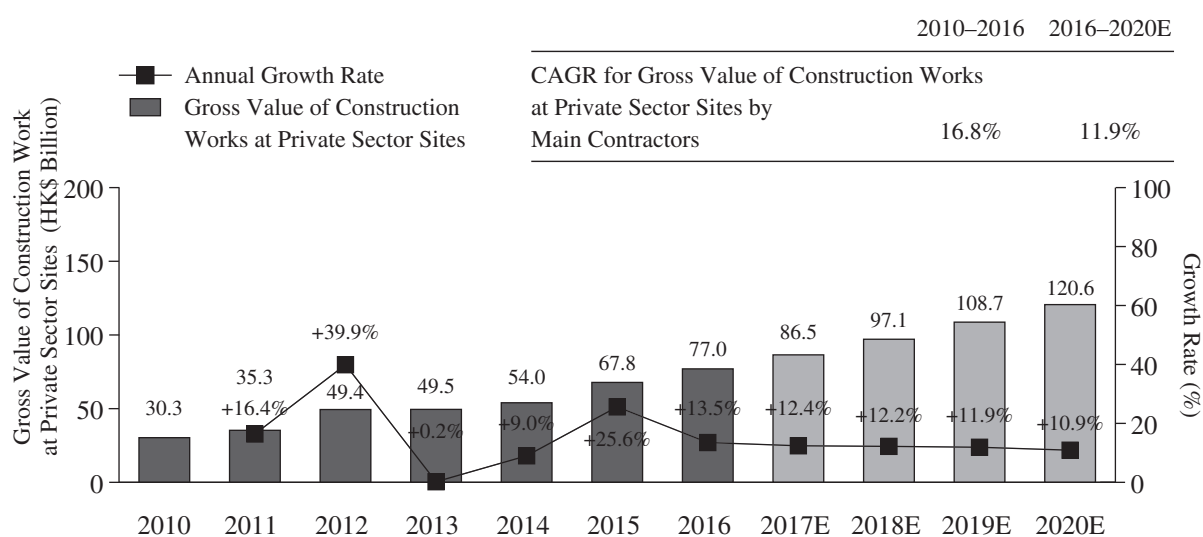
### OVERVIEW OF THE HONG KONG AND MACAU CONSTRUCTION MARKET

#### Market Overview

The construction market in Hong Kong and in Macau have grown steadily in the recent years. According to the research report on the Building and Construction Industry in Hong Kong dated 12 December 2016 published by the Hong Kong Trade Development Council, Hong Kong’s construction industry is characterised by a small number of large local contractors, a high level of subcontracting, presence of a large number of overseas contractors, with a substantial proportion of companies being both developers and contractors. Hong Kong contractors are experienced and highly skilled in building works. Because of the growing size and complexity of the projects, the current industry trend is to award large and complex building contracts as a single package to multi-disciplinary contractors.

### MARKET SIZE OF HONG KONG AND MACAU CONSTRUCTION MARKET

**Gross Value of Construction Works at Private Sector Sites by Main Contractors  
(Hong Kong), 2011–2020E**



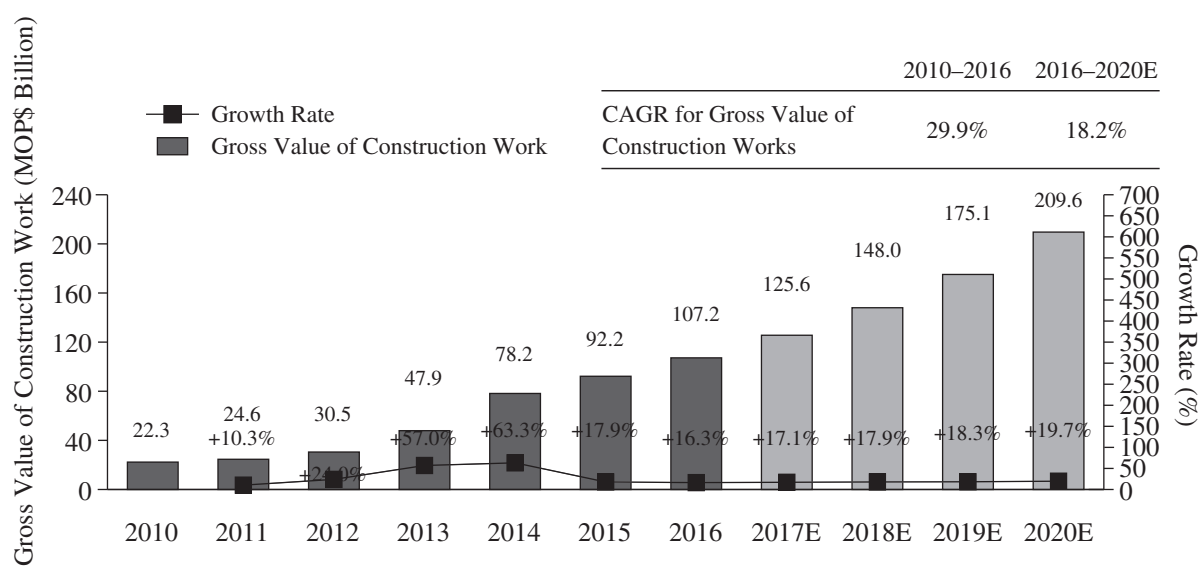
Source: Census and Statistics Department of Hong Kong and F&S Report

## INDUSTRY OVERVIEW

The gross value of main contractors' construction works in Hong Kong, which includes private and public sector sites and locations other than sites, increased from approximately HK\$111.3 billion in 2010 to approximately HK\$236.4 billion in 2016, representing a CAGR of 13.4%.

Water-related facilities are generally featured in private housing in Hong Kong. The private sector of construction market in Hong Kong is largely influenced by the macro economic conditions. Construction market at private sector sites bounced back after the financial downturn in late 2000's. From 2010 to 2016, the gross value of construction works at private sector sites by main contractors in Hong Kong increased from HK\$30.3 billion to HK\$77.0 billion, with a CAGR of 16.8%. The construction market at private sector sites in Hong Kong is likely to sustain the growing stage in the next few years and the gross value of such market is expected to reach HK\$120.6 billion in 2020, representing a CAGR of 11.9% from 2016 to 2020. Accordingly, a larger number of private construction projects are expected to implement in the following five years.

### Gross Value of Construction Works (Macau), 2010–2020E



Source: Census and Statistics Department of Macau and F&S Report

Water-related facilities are usually found in hotels, casinos or resorts in Macau. The Macau construction market is directly influenced by the macroeconomic conditions in Macau. The gross value of construction works in Macau increased from MOP22.3 billion to MOP107.2 billion during the period from 2010 to 2016, with a CAGR of 29.9%. The growth rate of Macau construction market decreased from 63.3% in 2014 to 17.9% in 2015, mainly due to the rapid decline in gaming industry of Macau in 2014 and 2015.

It is expected that the construction market in Macau will show an upward trend with the recovery of the gaming industry. The gross value of construction works in Macau is expected to reach MOP209.6 billion in 2020, representing a CAGR of 18.2%.



## INDUSTRY OVERVIEW

### MAIN DRIVERS OF THE HONG KONG AND MACAU CONSTRUCTION MARKET

#### Increasing Population of Hong Kong and Macau

The population of Hong Kong has reached approximately 7.4 million by the end of 2016 as compared to approximately 7.1 million in 2011. The population of Hong Kong is expected to reach about 7.6 million by 2020. Meanwhile, the number of population in Macau showed a stable upward trend in the recent years. In 2016, the population of Macau reached about 658,000, representing a CAGR of 3.0% from 2010 to 2016. The population of Macau is expected to sustain a CAGR of 1.7% from 2016 to 2020. In 2020, the number of population in Macau is likely to increase to about 703,000. The increase in population may result in an increasing demand for housing, which will be a key growth driver to the construction industry in Hong Kong and Macau.

#### Further Development of the Hotel Markets in Hong Kong and in Macau

Hong Kong, as an international financial center and shopping paradise has attracted a large number of tourists and business travellers and created a demand for the development of hotels and retail shopping malls. The gaming market in Macau also created a strong demand for hotels development.

A number of five stars hotels in Hong Kong and in Macau were built in the 1980s or 1990s, and may from time to time require renovation and upgrade. In addition, more and more three or four stars hotels were built in Hong Kong and in Macau targeting single travellers. With the steady growth in tourists and business travellers visiting Hong Kong and the recovery of tourism and gaming industry in Macau, there may be an increase in demand for development of three to four stars hotels. Such demand may become a key growth driver of the construction markets in Hong Kong and in Macau.

#### The Expansion of Hong Kong Theme Park

In order to attract first time and returning visitors, the theme parks in Hong Kong have devised plans of expansion. For instance, the Phase 2 development of the Hong Kong Disneyland Resort will cover an estimated area of 60 hectares covering resort facilities hotel development and retail facilities. Meanwhile, the Hong Kong Ocean Park also planned to expand, include a new all-weather water park and a new skating rink. Such expansion plans will become a key growth driver of the construction markets in Hong Kong.

### FUTURE OUTLOOK OF THE HONG KONG AND MACAU CONSTRUCTION MARKET

Due to the increasing population and the highly active property market in Hong Kong, the HK Government strived to increase housing land supply in order to stabilize the residential property prices. According to the 2016–2017 Budget Plan, the HK Government has adopted the public housing supply target of 280,000 units for the ten-year period from 2016–17 to 2025–26 based on the latest projection of housing demand. Such policies will continue to be one of the key growth drivers for the development of the construction industry in Hong Kong. The tourism and gaming industry in Macau may further develop and become a key growth driver for the development of the construction industry in Macau.

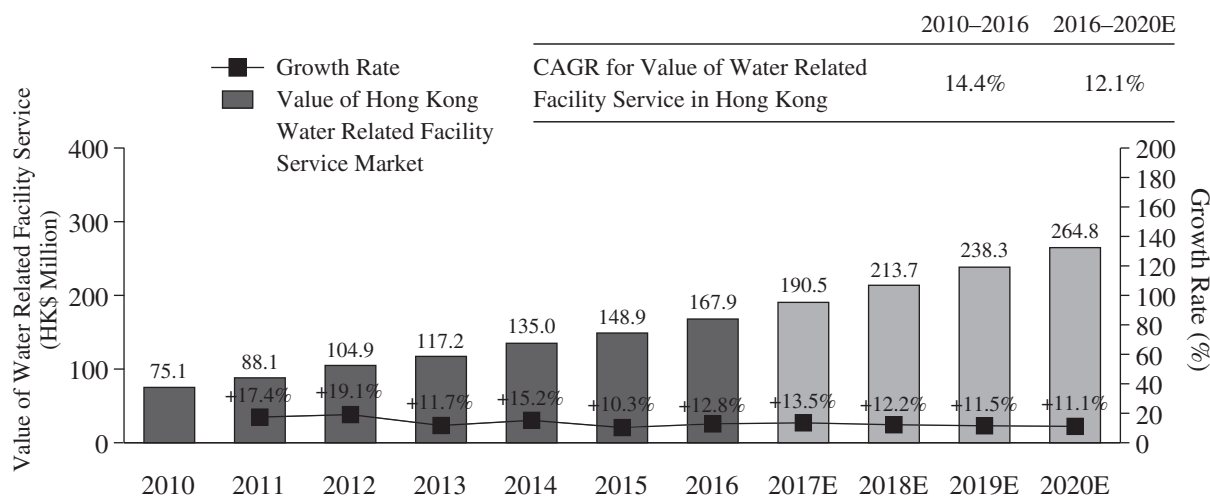
## INDUSTRY OVERVIEW

### OVERVIEW OF THE HONG KONG AND MACAU WATER-RELATED FACILITY SERVICE MARKET

The water-related facility services can mainly be categorized as (i) management contracting services, (ii) consultancy services and (iii) maintenance services. The major business segment of most service providers in this market is the provision of design, procurement and installation services of Water Circulation Systems for swimming pools and water fountains, etc.

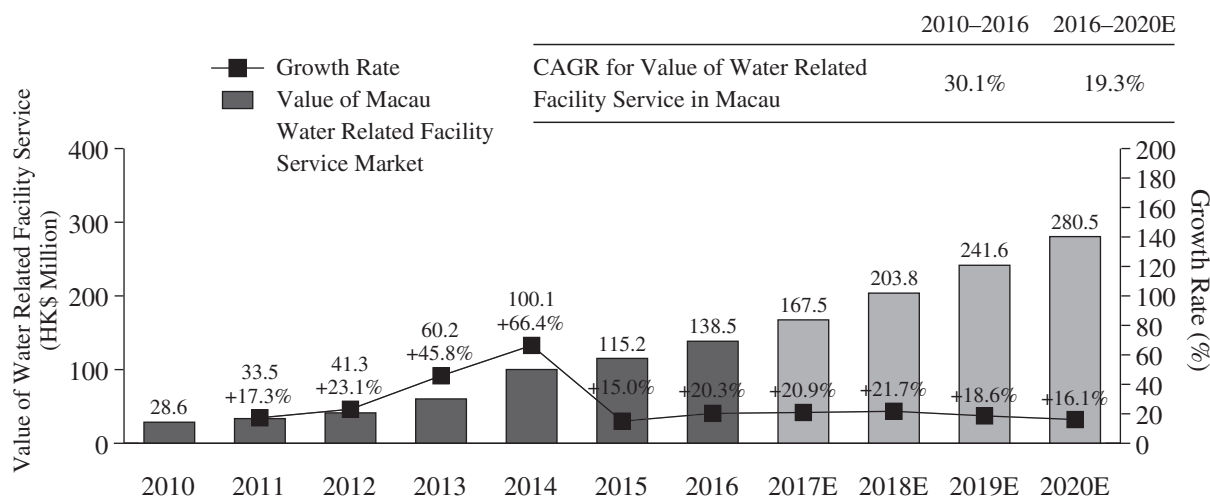
### MARKET SIZE OF HONG KONG AND MACAU WATER-RELATED FACILITY SERVICE MARKET

**Value of Water-related Facility Service Market (Hong Kong), 2010–2020E**



Source: F&S Report

**Value of Water Related Facility Service Market (Macau), 2010–2020E**

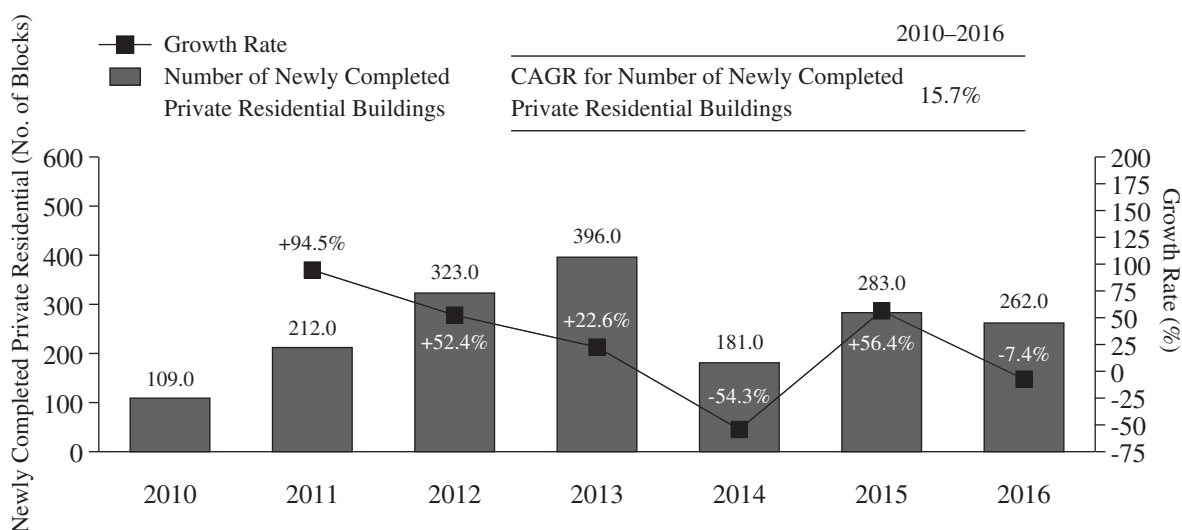


Source: F&S Report

## INDUSTRY OVERVIEW

From 2010 to 2016, the water-related facility service market in Hong Kong and Macau has been growing. The value of water-related facility service market in Hong Kong increased from HK\$75.1 million to HK\$167.9 million from 2010 to 2016, representing a CAGR of 14.4%. The value of water-related facility service market in Macau increased from HK\$28.6 million to HK\$138.5 million from 2010 to 2016, representing a CAGR of 30.1%. The water-related facility service market in Macau developed pretty rapidly from 2010 to 2016, mainly due to the booming of its gaming industry.

### Number of Newly Completed Private Residential Buildings (Hong Kong), 2010–2016



*Source: Census and Statistics Department of Hong Kong and F&S Report*

In recent years, the newly completed private residential buildings in Hong Kong enjoyed a significant growth. The number of newly completed private residential buildings increased from 109 blocks in 2010 to 262 blocks in 2016 with a CAGR of 15.7%. During the period from 2013 to 2014, the residential segment eventually showed sign of softening due to the tightening requirements on stress-testing of mortgage applicants' repayment ability introduced by the HK Government. Therefore, the number of newly completed private residential buildings declined by 54.3%. However, this number rebounded to 262 blocks in 2016, representing a CAGR of 15.7% from 2010.

### Land area of projects for private residential premises (Hong Kong)

Year	('000 sq. m.)
2010	1,109
2011	1,721
2012	1,437
2013	1,678
2014	1,689
2015	1,646

*Source: Census and Statistics Department of Hong Kong*

## INDUSTRY OVERVIEW

The land area of projects for private residential premises have reached approximately 1,646 thousand square meters in 2015, representing a CAGR of 8.2% from 2010 to 2015. In view of the increase in the number of newly completed private residential buildings in Hong Kong from 2010 to 2016 and the increase in the land area of projects for private residential premises in Hong Kong from 2010 to 2015, it is expected that there is a demand of swimming pools and other water-related facilities within the newly developed private residential projects. With the increasing development of private residential projects in Hong Kong, it is expected that the water-related facility service market will experience a steady growth in the following years.

Taking into consideration that, for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, approximately 71.1%, 70.9% and 77.0% of the revenue of our Group generated in Hong Kong in the aggregate sum of approximately HK\$24.9 million, HK\$21.3 million and HK\$35.7 million respectively are derived from private residential projects, the further development of private residential property market in Hong Kong is likely to drive the demand of water-related facility service projects of the Group.

The number of five stars hotels in Macau increased from 23 in 2010 to 32 in 2016 with a CAGR of 5.7%. There were 38 casinos in Macau in 2016. While there are swimming pools and other types of water-related facilities in the newly established five stars hotels and casinos in Macau, it is expected that the demand for establishment of new five stars hotels and casinos in Macau will increase the demand of water-related facility services.

According to the F&S Report, the water-related facility service market in Hong Kong and Macau is projected to have a growth in the next few years and the market value is expected to reach HK\$264.8 million and HK\$280.5 million in 2020 respectively, representing a CAGR of 12.1% and 19.3% respectively from 2016 to 2020.

### MAIN DRIVERS OF THE HONG KONG AND MACAU WATER-RELATED FACILITY SERVICE MARKET

#### Further development of Hong Kong and Macau construction market

The gross value of construction works at private sector sites by main contractors in Hong Kong increased from HK\$30.3 billion to HK\$77.0 billion from 2010 to 2016, representing a CAGR of 16.8%. This market is expected to reach HK\$120.6 billion in 2020, representing a CAGR of 11.9%. According to the 2016–2017 Budget Plan, the HK Government is likely to make available for sale 29 residential sites capable of providing 19,000 units and sale 8 commercial/business sites capable of providing floor area of 540,000m<sup>2</sup>.

Further, the proposed construction of music fountains in Kwun Tong Promenade is one of the projects under the HK Government's Signature Project Scheme. With the integration of dynamic lighting, music features and special effects, the fountains are expected to promote Kwun Tong Promenade as a place of tourist attraction and public leisure with enjoyment of harbour views. The estimated cost of construction is approximately HK\$48.0 million. Such proposed project, once approved by the Legislative Council, is expected to drive the demand and growth for the water-related facility services market in Hong Kong.

## INDUSTRY OVERVIEW

With the recovery of gaming industry, the gross value of construction works in Macau is estimated to increase to MOP209.6 billion in 2020. There may exist increasing demand for new construction projects of hotels, service apartments, residential projects or public amenities which include or provide water-related facility service, such as swimming pools and water fountains.

### **Further development of five-star hotels and private residential projects in Hong Kong and Macau**

According to Census and Statistics Department of Hong Kong, there were 35 five-star hotels and 262 blocks of newly completed private residential buildings in Hong Kong in 2016, representing a CAGR of 3.2% and 15.7% respectively from 2010 to 2016. According to F&S Report, it is expected to have 40 five-star hotels in Hong Kong in 2020, with a CAGR of 3.4% from 2016 to 2020; and over 200 blocks of newly completed private residential buildings are expected to be built annually from 2017 to 2020. All five-star hotels and over 70% of such newly completed private residential buildings in Hong Kong have water-related facilities.

According to Census and Statistics Department of Macau, there were 32 five-star hotels and 4,957 units of newly constructed private residential units in Macau in 2016, representing a CAGR of 5.7% and 36.1% respectively from 2010 to 2016. According to F&S report, it is expected to have 39 five-star hotels in Macau in 2020, with a CAGR of 5.1% from 2016 to 2020; and over 2,000 units of newly constructed private residential units are expected to be built annually from 2017 to 2020. All five-star hotels and over 80% of such newly completed private residential buildings in Macau have water-related facilities.

With the further development of five-star hotels and private residential projects in Hong Kong and Macau, the demand of swimming pools and other water-related facilities within the newly developed five-star hotels and private residential projects is expected to increase in the following years accordingly.

### **Recovery of Macau gaming market**

The total number of hotels in Macau increased from 60 in 2010 to 75 in 2016, representing a CAGR of 3.8%. Meanwhile, as of 2016, there are 38 casinos in Macau and over 720 water-related facilities including swimming pools, water fountains, spa, etc. in the casinos and hotels in Macau. The gradual recovery of the gaming industry in Macau is likely to increase the need for construction of new casinos and hotels. It is expected that the demand for water-related facility service projects shall increase, especially the demand for water fountains and large scale swimming pools in the new casinos and hotels. Such increase in demand may drive the growth of the water-related facility service market in Macau.

It is anticipated that the leading gaming giants in Macau have their own expansion plans in the near future. The construction of new resorts and casinos and related renovation programmes in Macau gaming industry is likely to result in the building of a number of swimming pools, water fountains, spa and others to satisfy customers' requirements. In 2020, there will be more than 900 water-related facilities that are expected to be completed in casinos and hotels in Macau.

## INDUSTRY OVERVIEW

Set out below is a summary of the major expansion plan of the major market participants in the gaming industry in Macau:

<b>Major Participants in Gaming Industry</b>	<b>Major Expansion Plan</b>	<b>Current Progress</b>
SJM Holdings Limited (澳門博彩控股有限公司) (Stock code: 880.HK)	Construction of the Grand Lisboa Palace, an integrated resort on Cotai, have been started to top-off the building's superstructure in 2016.	The Grand Lisboa Palace is under construction now. This project is expected to be completed by the end of 2017 for opening in the first half of 2018.
MGM China Holdings Limited ("MGM") (美高梅中國控股有限公司) (Stock code: 2282.HK)	MGM Cotai, the second resort of MGM in Macau, is under construction.	The MGM Cotai is expected to open in the second half of 2017.
Melco Crown Entertainment Limited (新濠博亞娛樂有限公司) (NASDAQ: MPEL)	The fifth hotel tower at City of Dreams in Cotai, Macau is under construction.	The fifth hotel tower of City of Dreams in Cotai is under construction now. This project is expected to open in 2018. The tender process in relation to the Water Circulation System is undergoing.
Galaxy Entertainment Group Limited (銀河娛樂集團有限公司) (Stock code: 27.HK)	<ol style="list-style-type: none"> <li>1. Development of the addition of Cotai Phase 3 &amp; 4 which involves expansion of a further one million square meters in the coming years. Site investigation works have begun in 2016.</li> <li>2. Development of a land parcel of 2.7 square kilometers as a world class destination resort in Hengqin.</li> </ol>	<ol style="list-style-type: none"> <li>1. Phase 3 and Phase 4 is planned to start construction in late first quarter or early second quarter of 2017. The tender process in relation to the Water Circulation System is expected to commence in 2017.</li> <li>2. The Hengqin project is in the process of preparation. The tender process in relation to the Water Circulation System is expected to commence in 2017.</li> </ol>

*Source: 2016 annual reports of the respective market participants*

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF WATER-RELATED FACILITY SERVICE MARKET OF HONG KONG AND MACAU

#### Ranking and Market Share of the Top 3 Competitors by Estimated Sales Revenue in the Water-Related Facility Service Market (Hong Kong), 2016

Ranking	Company Name	Share (%)	Background
1	Our Group	28.4%	We are a Hong Kong-based contractor principally engaged in design, procurement and installation services of the Water Circulation Systems.
2	Competitor A	15.8%	A private company in Hong Kong principally engaged in (i) design, procurement and installation services of the Water Circulation System of water-related facilities and (ii) maintenance of engineering equipment in relation to the water-related facility service.
3	Competitor B	10.2%	A private company in Hong Kong principally engaged in (i) design, procurement and installation services of the Water Circulation System of water-related facilities and (ii) supply of package equipment.

*Source: F&S Report*

#### Ranking and Market Share of the Top 3 Competitors by Estimated Sales Revenue in the Water-Related Facility Service Market (Macau), 2016

Ranking	Company Name	Share (%)	Background
1	Our Group	35.9%	We are a Hong Kong-based contractor principally engaged in design, procurement and installation services of the Water Circulation Systems.
2	Competitor C	17.8%	A private company in Macau principally engaged in provision of a full range of engineering, planning, installation and maintenance services in relation to the water-related facilities.
3	Competitor A	9.9%	A private company in Hong Kong principally engaged in (i) design, procurement and installation services of the Water Circulation System of water-related facilities and (ii) maintenance of engineering equipment in relation to the water-related facility service.

*Source: F&S Report*



## INDUSTRY OVERVIEW

As of 2016, there are over 15 market participants that engaged in the business of the design, procurement and installation services of the Water Circulation System of water-related facilities in Hong Kong and Macau. Therefore, the competition in the water-related facility service market of Hong Kong and Macau is moderately concentrated. The top 3 competitors in the industry accounted for approximately 54.4% and 63.6% of the market share in terms of overall estimated sales revenue in Hong Kong and Macau respectively.

Based on the relevant market participants sales revenue generated in 2016, our Group ranked the first and accounted for approximately 28.4% and 35.9% of the overall estimated sales revenue of the water-related facility service market in Hong Kong and Macau, respectively. Competitor A ranked the second and the third and accounted for approximately 15.8% and 9.9% of the overall estimated sales revenue in Hong Kong and Macau respectively. Competitor B ranked the third and accounted for approximately 10.2% of the overall estimated sales revenue in Hong Kong. Competitor C ranked the second and accounted for approximately 17.8% of the overall estimated sales revenue in Macau.

### **ENTRY BARRIERS IN THE WATER-RELATED FACILITY SERVICE MARKET OF HONG KONG AND MACAU**

#### **Sufficient Cash Flow**

Sufficient cash flow is required for new entrants to participate in the water-related facility service market. Such cash flow shall be used for the design or research of new technologies and the hiring of technical and experienced personnel. It would be difficult for new entrants of small to medium size without sufficient cash flow to sustain their business operations in the water-related facility service industry.

#### **Long-term Relationship with Customers**

The participants in the water-related facility service market generally rely on a small number of customers. It is crucial for participants in the Hong Kong and Macau water-related facility service market to establish long-term relationships with existing and potential customers. Customers would generally prefer to work with established participants with proven track record and industry reputation, which makes it difficult for new entrants to be awarded any projects. New entrants may not easily get a chance to prove their capabilities and to establish close working relationship with customers.

#### **Reliable Suppliers**

Identifying and contracting with reliable suppliers that can provide high quality and reliable sources of consumables including parts and components (e.g. water disinfection equipment, valves and pumps) at a low fixed cost is important for operating and engaging business in the water-related facility service market of Hong Kong and Macau. New entrants may experience difficulties in establishing close working relationships with reliable suppliers.

#### **Experienced Labor Force**

A sizeable project with high profit margin usually would be awarded to industry players with experienced personnel having sufficient on-site practical experience. This is especially true for Macau, which is generally in short of labor supply. Skilled and experienced labor force is often considered to be

## INDUSTRY OVERVIEW

crucial for operating in the Hong Kong and Macau water-related facility service market. The lack of a stable and reliable labour force equipped with relevant skills and experience may pose an entry barrier for new entrants.

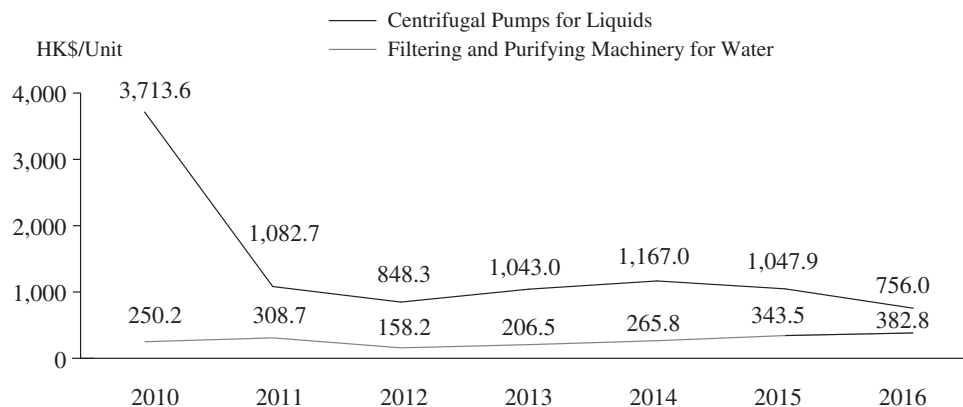
### FUTURE OPPORTUNITIES OF THE HONG KONG AND MACAU WATER-RELATED FACILITY SERVICE MARKET

With advanced technology, many high-tech design of water-related facilities may be implemented. In addition, the development in lighting technology, music control technology, robot technology, and other parts and consumables may also assist in the provision of and enhance the effects of the water-related facilities. It is expected that in the future, to attract new customers, market participants shall stay updated on the latest technology trends.

The HK Government promulgated and implemented total water management strategy and emphasized on the importance of water conservation. Under the relevant policy, water-related facility service providers are required to reduce water consumption from the early stage of the design of the circulation system of the water-related facility service project. It is expected that such government policy may lead to a healthy development of water-related facility service market with more focus on water conservation in the future.

### RAW MATERIAL ANALYSIS

#### Price Trend of Major Components Relating to Facilities (Hong Kong), 2010–2016



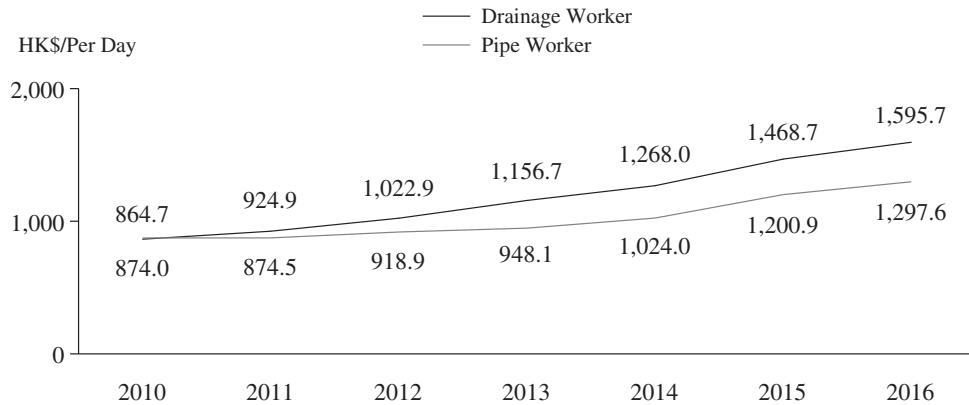
Source: Hong Kong Customs and F&S Report

The cost of parts and components is the major cost in the water-related facility service market in Hong Kong and Macau. In the recent five years, the price of parts and components fluctuated. For example, the price of centrifugal pumps for liquids dropped to HK\$756.0 per unit from HK\$3,713.6 per unit in 2010. The price of water filtering and purifying machinery increased at a CAGR of 7.3% from 2010 to 2016. It is expected that in the future, the price of these parts and components is likely to increase steadily.

## INDUSTRY OVERVIEW

### SALARY ANALYSIS

**The Average Salary of Related Professionals in Hong Kong and Macau  
Water-related Facilities Service Market, 2010–2016**



Source: F&S Report

The average salary level of drainage and pipe workers increased steadily in the recent five years for the water-related facility service market in Hong Kong and Macau. The average salary of a drainage worker experienced a CAGR of 10.8% from 2010 to 2016. In 2016, the average daily salary of a drainage worker was HK\$1,595.7. The average salary of a pipe worker increased from HK\$874.0 per day in 2010 to HK\$1,297.6 per day in 2016, representing a CAGR of 6.8%. There is generally a shortage of supply of skilled labour in the water-related facility service market.

It is expected that the demand for skilled and experienced workers in the water-related facility service market would grow in the future. With an increasing demand and a shortage in supply, the average salary level of drainage and pipe workers in Hong Kong and Macau is likely to increase further in the future.

### DIRECTORS' CONFIRMATION

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

## REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations which have material impact on our business.

### HONG KONG LAWS AND REGULATIONS

#### A. Laws relating to work carried for the Water Circulation Systems

##### *Public Health and Municipal Services Ordinance (“PHMSO”)(Chapter 132 of the Laws of Hong Kong) and its subsidiary legislation*

The Swimming Pools Regulations (Chapter 132CA of the Laws of Hong Kong), being the subsidiary regulation of the PHMSO, requires the licensee of a swimming pool to cause the water in the swimming pool to be maintained to (a) a standard of bacteriological quality such that (i) escherichia coli (大腸桿菌) is absent in pool water samples of 100 mL each, taken at any time at any location in the swimming pool; (ii) the total bacterial count as determined by the 48-hour plate count method at 37°C does not exceed 200 bacteria per mL of pool water sample taken at any time at any location in the swimming pool; (b) a standard of clarity, such that (i) the turbidity of water as expressed in Nephelometric Turbidity Units (懸浮體散射濁度單位) does not exceed 5; and (ii) the colour of water as expressed in Hazen Units (鉑鈷標準色度單位) does not exceed 5; and (c) a standard of pH value of not less than 7.0 and not more than 7.8.

Since our management contracting service is mainly related to installation and filtration systems of swimming pools, we have to take into accounts of the aforesaid requirements in designing the Water Circulation System and supervising the installation work conducted by our sub-contractors so as to ensure that such requirements are complied with.

##### *Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) and its subsidiary legislation*

We engaged sub-contractors to carry out the related electrical work during the installation of the Water Circulation Systems designed by us. All contractors and workers engaged in electrical work on fixed electrical installations must be registered with the Electrical and Mechanical Services Department. To be qualified as a registered electrical contractor (“REC”), an applicant must either employ at least one registered electrical worker (“REW”) or:

1. if the applicant is an individual, he must be a registered electrical worker; or
2. if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Under Regulation 13 of the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), a registered contractor must apply to the Director of Electrical and Mechanical Services for renewal of registration not earlier than four months and not later than one month prior to the date of expiry of the current registration.

The Electricity (Wiring) Regulations (Chapter 406E of the Laws of Hong Kong) set out the safety requirements for the design, installation, testing and certification of fixed electrical installations. The Electricity (Wiring) Regulations aim to ensure the quality and workmanship of electrical installations in Hong Kong through a regulatory framework of REC and REW. The Electricity (Wiring) Regulations

## REGULATORY OVERVIEW

specifically require that whenever a fixed electrical installation is installed, and after any repairs, alterations or additions to it are completed, it must be inspected, tested and certified by a REC/REW before being energised for use. In order to facilitate compliance with the statutory requirements of the Electricity (Wiring) Regulations, the Electrical and Mechanical Services Department of the Hong Kong published a code of practice relating to these regulations. The code of practice elaborates on how the statutory safety requirements stipulated in the Electricity (Wiring) Regulations for fixed electrical installations could be met and provides comprehensive practical guidelines to help REC/REW to properly design, install, test and certify electrical installations.

When we select our sub-contractors to carry out the related electrical work during the installation of the Water Circulation Systems, we have to ensure that they are at all times registered with the Electrical and Mechanical Services Department as an electrical contractor or worker when carrying out the work sub-contracted by us.

### ***Waterworks Ordinance (Chapter 102 of the Laws of Hong Kong)***

We engaged sub-contractors to carry out the related plumbing work during the installation of the Water Circulation Systems designed by us. Under section 15(1) of the Waterworks Ordinance, only a licensed plumber or a public officer authorised by the Water Authority shall construct, install, maintain, alter, repair or remove pipes and fittings in premises, and any pipes and fittings between the premises and a connection to the main (總水管) for a supply of water.

To register as a licensed plumber, a person shall hold a Craft Certificate in Plumbing and Pipefitting issued by the Vocational Training Council after 1987 or an equivalent qualification in the opinion of the Water Authority. Where an applicant for plumber's licence relies on any qualification obtained 5 or more years before the application, he shall satisfy the Water Authority that he has adequate knowledge of the type of work involved in respect of a plumber's licence; and the provisions of the Waterworks Ordinance relating to such work.

A plumber's licence shall be valid up till and including 31 December in the year in which it is issued and may be renewed annually upon payment of a prescribed fee for a further period of 12 months from the date of expiry.

In view of the requirements under the Waterworks Ordinance, when selecting our sub-contractors to carry out the related plumbing work during the installation of the Water Circulation Systems, we have to ensure that they are at all times licensed plumbers authorised by the Water Authority when carrying out the work sub-contracted by us.

## **B. Labour, Health and Safety**

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

Factories and Industrial Undertakings Ordinance provides for the safety and health protection to the workers in an industrial undertaking. "Industrial undertaking" includes any "construction work" which in turn means the construction, erection, installation, reconstruction, repair, maintenance (including redecoration and external cleaning), renewal, removal, alteration, improvement, dismantling, or demolition of any structure or works specified in this Ordinance (which includes drainage, any water

## REGULATORY OVERVIEW

installation or works and any structure designated for the support of machinery, plant or power transmission lines), as well as the use of machinery, plant, tools, gear, and materials in connection with any of the foregoing operations.

Under this Ordinance, every person employed at an industrial undertaking while at work shall have the duty:

- to take reasonable care for the health and safety of himself and other persons who may be affected by their acts or omissions at work;
- as regards any duty or requirement imposed on a proprietor of the industrial undertaking or on any other persons by this Ordinance for securing the health and safety of persons employed at the industrial undertaking, to co-operate with him so far as is necessary to enable that duty or requirement to be performed or complied with.

A person employed at an industrial undertaking who willfully and without reasonable excuse does anything while at work likely to endanger himself or other persons commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

We need to ensure that the relevant requirements under the Factories and Industrial Undertaking Ordinance are complied with in the course of the performance of the subcontracted installation work of the Water Circulation System.

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

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

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

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

## REGULATORY OVERVIEW

We are responsible for the safety and health for our employees at workplace under the Occupational Safety and Health Ordinance. We have established in-house safety rules to provide our staff and sub-contractors with a safe and healthy working environment by specifying various safety measures.

### *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 and deaths caused by accidents arising out of and in the course of employment, or in respect of prescribed by 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 or death arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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

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

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

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

A principal contractor is subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has



## REGULATORY OVERVIEW

contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior sub-contractor jointly and severally. A principal contractor's liability shall be limited to (a) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) the wages due to such an employee for two months without any deductions (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from the sub-contractor must serve notice in writing on the principal contractor within 60 days after the wage due date or another 90 days if permissible. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware.

A principal contractor who, without reasonable excuse, fails to serve notice on the superior sub-contractor(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 principal contractor or superior sub-contractor pays to an employee any wages under section 43C of the Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may either (i) claim contribution from every superior sub-contractor to the employee's employer or from the principal contractor and every other such superior sub-contractor as the case may be; or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has subcontracted.

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

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

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

In carrying out the installation work of the Water Circulation Systems, we possess control of the site and owe a duty of care to our visitors and are required to ensure that they are reasonably safe in using the premises on the site.

**C. Environmental Protection**

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation and the Air Pollution Control (Smoke) Regulations. The contractor responsible for a construction site shall devise, arrange methods of working and carrying 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.

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, noisy construction works and the use of powered mechanical equipment in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority.

Certain equipment is also subject to restrictions on when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval in the form of a Construction Noise Permit from the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on a second or subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

## **REGULATORY OVERVIEW**

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

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water into storm drains), they are subject to licensing control by the Environmental Protection Department.

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

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

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

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

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

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

Under the Waste Disposal (Chemical Waste) (General) Regulation, anyone who produces chemical waste or causes it to be produced has to register as a chemical waste producer. The waste must be packaged, labeled and stored properly before disposal. Only a licensed collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the staff of the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation,

## REGULATORY OVERVIEW

does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence.

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

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

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for six months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for two years; (c) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

#### **D. Others**

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

For the purpose of carrying out our business, we may need to store up certain substances which fall within the ambit of “dangerous goods” under the Dangerous Goods Ordinance. Under the Dangerous Goods Ordinance, “dangerous goods” include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

Under Section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. Therefore we have to ensure that the quantity of dangerous goods we kept do not exceed the exempted level prescribed by law.

### MACAU LAWS AND REGULATIONS

#### Regulation in relation to construction and engineering business in Macau

The Land, Public Works and Transport Bureau (DSSOPT) is the primary regulator and supervisory institution of the construction and engineering business industry in Macau with major functions to issue construction and maintenance licenses of buildings of any kinds in Macau; to assume all jobs about awarding contracts, directing and inspecting on such works; and to enforce the related laws and regulations.

DSSOPT promotes regulations for land use and assists in other public organisations by analyzing the proposals of private and public constructions.

Regarding construction works, DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licensing for urban buildings and use of electrical installations.

Construction business is subject to Decree-Law no.79/85/M (General Regulation of Urban Construction) and Law no. 1/2015 (Regime of Qualifications of Urban Construction and Urban Planning Practitioners).

In accordance with Decree-Law no. 79/85/M, the execution of civil construction works may only be carried out by construction companies or individuals that are duly registered with DSSOPT and in respect of licensed and approved project.

In accordance with the definition set out in the Decree-Law no. 79/85/M, for the effect of the application of the said Decree-Law, civil construction works means the execution of new buildings, as well as the works of reconstruction, restoration, repair, modification, or expansion in the existing buildings, the demolition of buildings and any other works that result in the alteration of topography.

In general, for the registration of construction companies or individual constructors, DSSOPT will assess, at its discretion, their capacity, notably, relying on (i) the technical means at their disposal and (ii) the past experience regarding the execution of previous construction works.

The provision of design, procurement and installation services of the Water Circulation Systems, such as swimming pools, water fountains, water curtains and spa facilities does not fall within the ambit of “civil construction works” under the Decree-Law no. 79/85/M and our Group is not required to register with the DSSOPT in relation to the conduct of its business in Macau.

The qualifications of the technicians involved in the construction business are made in accordance with Law no. 1/2015, which was effective from 1 July 2015, by means of which those technicians, which include engineers and architects, are required to be duly licensed and registered in the Architect, Engineer and Urban Academy (CAEU), a public authority in Macau.

For the registration in the CAEU, holders of engineering or architecture degree must present the relevant documents, participate in an internship and be approved in an admission exam.

## REGULATORY OVERVIEW

Once obtained the respective professional certificate and title, upon registration before the CAEU, those technicians must proceed with the registration with DSSOPT for the purposes of being allowed to render the services of (i) draft of projects, (ii) direction of works and/or (iii) supervision of works.

The mentioned registration, being accepted, is valid by the end of the following civil year after its request, and is subject to mandatory renewal.

Registration before DSSOPT may be requested by private sector technicians, individual commercial enterprises with at least a registered technician or companies of the sector duly registered in Macau with at least a registered technician.

The validity of the registration before DSSOPT and its renewal is subject to the maintenance of all the legal requirements, otherwise the said registration and/or renewal may be suspended or cancelled.

In addition, for the purposes of the registration before DSSOPT, the applicants must be covered by a valid and effective liability insurance that covers the losses arising from the rendering of the relevant services.

Under articles 47 and 51 of Law no. 1/2015, to provide design and installation services of the Water Circulation Systems, such as swimming pool, water fountains, water curtains and spa facilities, must be done by civil engineers or mechanical engineers. However, the provision of maintenance services to the aforementioned equipment is not subject to Law no. 1/2015.

### **Environmental Laws**

In accordance with section 1 of article 8 of Law no. 2/91/M (the Environmental Law), everyone is entitled to air quality suiting basic health and well-being, whether in public spaces, residential areas, workplace and others.

Under section 3 of article 8 of the Environmental Law, any installation, machine or means of transportation which activity may affect the air quality must be equipped with a device or other mean that can ensure compliance with legal emission limits under the penalty of being banned.

In relation to water quality, under section 1 of article 23 of the Environmental Law, it is forbidden to discharge in marine jurisdictions any substances, liquid or solid residues that may, somehow, pollute the water, beaches, shoreline, as well as flora and fauna, such as oil products or oil containing mixtures, or other chemical substances set out in applicable international agreements or conventions.

### **Labor Regulations**

The labor legal frameworks of Macau are regulated under Law no. 7/2008 (Law of Employment Relations) and Law no. 21/2009 (Law of Non-residents Labor Issues).

To import non-resident unskilled workers, all companies operating in Macau must apply to the Macau Human Resources Office for labor quotas. The employment of non-resident skilled workers is also regulated and subject to authorization by the Macau Human Resources Office, which grants such employment authorizations on a case-by-case basis. Skilled non-residents may apply for residency

## **REGULATORY OVERVIEW**

through the Macau Trade and Investment Promotion Institute as specialized workers. There are no quota-based restrictions for Macau residents. Businesses are free to employ Macau residents in any position without any type of quota, as all Macau residents have the right to work in Macau.

### **Mandatory Social Security Fund**

Macau employers must register their employees under the mandatory Social Security Fund.

Macau employers are required to pay social security contributions for each of its resident employees and pay a special duty for each of its non-resident employees on a quarterly basis.

### **Taxation**

The following are general descriptions of certain issues relating to Macau tax law and are based upon laws, regulations and practices in effect as at the Latest Practicable Date.

Subsequent legislative or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor. In addition, practices currently in force may change.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor. The following general descriptions do not purport to be a comprehensive description of the Macau tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Shares under applicable tax laws of other applicable jurisdictions and the specific Macau tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Shares in such other jurisdictions.

### **Complementary Tax**

Income received in Macau is taxable under Macau's complementary tax provisions, irrespective of the beneficiary being an individual or a corporation, its particular line of business, its nationality or domiciliation, without prejudice to the particular deductions and allowances each taxpayer enjoys.

Companies are required to declare their annual profit and such profit is subject to complementary tax. If dividend is declared, taxable profit is based on taxable profit (after dividends have been paid). The Law no. 15/2015 (the Government Budget of Financial Year 2016) extends the exempted portion of income to MOP600,000 and determines that the excess of taxable income be taxed at 12%. These measures implemented through the Government Budget of Financial Year 2016 are extraordinary and there can be no assurances that the exemption limit will increase, decrease or stay at its present level.

These rates apply to the declared taxable profit (gross income less allowable deductions) from all income generating sources, except professional tax and property income, taxed separately under different regulations. Accordingly, dividends received by individuals or corporate shareholders are income for the purposes of complementary tax and, likewise, will be subject to complementary tax as above described.



## **REGULATORY OVERVIEW**

Non-Macau residents and companies not incorporated in Macau will usually not be registered with the Macau Financial Services Bureau as taxpayers and therefore will not submit their income tax returns in Macau. The accuracy of income statements may be challenged by the Macau taxation authorities, which will then compute the amounts due on the basis of prior results or estimations. In such event, appeals are available for unsatisfied parties.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## HISTORY AND DEVELOPMENT

### Overview

Our Group was founded by Mr. Nam, being our executive Director and Controlling Shareholder, with the incorporation of Harmony Asia in November 2006. Before the incorporation of Harmony Asia, Mr. Nam had about 12 years of experience in mechanical engineering with focus in design and installation services of Water Circulation Systems. Leveraging on his experience, know-how and expertise in the water-related facility market, he started Harmony Asia with his own resources.

Our Company was incorporated in the Cayman Islands on 23 November 2015 and, as part of the Reorganisation, became the holding company of our Group. During the Track Record Period, our Group's business was conducted through our Group's three principal operating subsidiaries, namely Harmony Asia, Best Innovation HK and Best Innovation Macau.

Set out below are our key business milestones:

### Milestone

<b>Month/Year</b>	<b>Event</b>
November 2006	Harmony Asia was incorporated in Hong Kong
December 2006	Our Group commenced the design, procurement and installation of Water Circulation System in a Macau hotel with a contract sum of approximately MOP8.9 million
March 2007	Our Group commenced the design, procurement and installation of Water Circulation System in a Macau residential project with a contract sum of approximately MOP2.8 million
August 2007	Our Group commenced the design, procurement and installation of Water Circulation System in a Hong Kong commercial project with a contract sum of approximately HKD3.8 million
September 2007	Our Group commenced the design, procurement and installation of Water Circulation System in a Hong Kong residential project with a contract sum of approximately HKD3.0 million
September 2009	Best Innovation HK was incorporated in Hong Kong
May 2013	Our Group commenced the design, procurement and installation of Water Circulation System in a Hong Kong golf and tennis academy ancillary overnight accommodation with a contract sum of approximately HKD18.6 million
June 2014	Our Group commenced the design, procurement and installation of Water Circulation System in a Macau hotel with a contract sum of approximately HKD36.5 million

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<b>Month/Year</b>	<b>Event</b>
September 2014	Best Innovation Macau was incorporated in Macau
November 2015	Our Company was incorporated in the Cayman Islands as part of the Reorganisation for the purpose of the Listing
January 2016	Our Group commenced the design, procurement and installation of Water Circulation System in a Macau hotel with a contract sum of approximately MOP36.6 million

### OUR MAJOR OPERATING SUBSIDIARIES

#### Harmony Asia Limited

On 3 November 2006, Harmony Asia was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK\$200,000 divided into 200,000 shares of HK\$1.00 each. On the same date, 100,000 fully-paid shares of Harmony Asia were allotted and issued to each of Mr. Nam and Ms. Lo Yin Ping, an Independent Third Party.

On 1 April 2009, Ms. Lo Yin Ping transferred 100,000 shares of Harmony Asia to Mr. Nam at a consideration of HK\$100,000. The said consideration was determined with reference to the nominal value of the shares of Harmony Asia and the net asset value at the time of transfer. The said transfer was properly and legally completed and settled. Upon completion of such transfer, Harmony Asia was 100% owned by Mr. Nam.

On 5 February 2016, Mr. Nam transferred 200,000 shares in Harmony Asia, representing the entire issued share capital of Harmony Asia, to Harmony Asia Holdings, at a consideration of HK\$19,343,803. The said consideration was determined with reference to the unaudited net asset value of Harmony Asia of HK\$19,343,803 as at 30 September 2015 and was settled by our Company allotting and issuing 7,499 new Shares, credited as fully paid up, to Harmony Asia International. The said transfer was properly and legally completed and settled. Upon completion of such transfer, Harmony Asia was 100% owned by Harmony Asia Holdings.

#### Best Innovation HK

On 15 September 2009, Best Innovation HK was incorporated as a limited liability company with an authorized share capital of HK\$500,000 divided into 500,000 shares of HK\$1.00 each. On the same date, 80,000 and 20,000 fully-paid shares of Best Innovation HK were allotted and issued to Mr. Nam and Mr. Wong Yik Man, an Independent Third Party, respectively. Since incorporation, Best Innovation HK has entered into contracts with customers for the provision of consultancy services in which the work was undertaken by Harmony Asia.

On 18 October 2010, Mr. Wong Yik Man transferred 20,000 shares of Best Innovation HK to Mr. Nam at a consideration of HK\$20,000. The said consideration was determined with reference to the nominal value of the shares of Best Innovation HK and the net asset value at the time of transfer. The said transfer was properly and legally completed and settled. Upon completion of such transfer, Best Innovation HK was 100% owned by Mr. Nam.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 5 February 2016, Mr. Nam transferred 100,000 shares in Best Innovation HK, representing the entire issued share capital of Best Innovation HK, to Best Innovation (HK) Holdings, at a consideration of HK\$1.00. The said consideration was determined with reference to the unaudited net liability value of Best Innovation HK as at 30 September 2015. The said transfer was properly and legally completed and settled. Upon completion of such transfer, Best Innovation HK was 100% owned by Best Innovation (HK) Holdings.

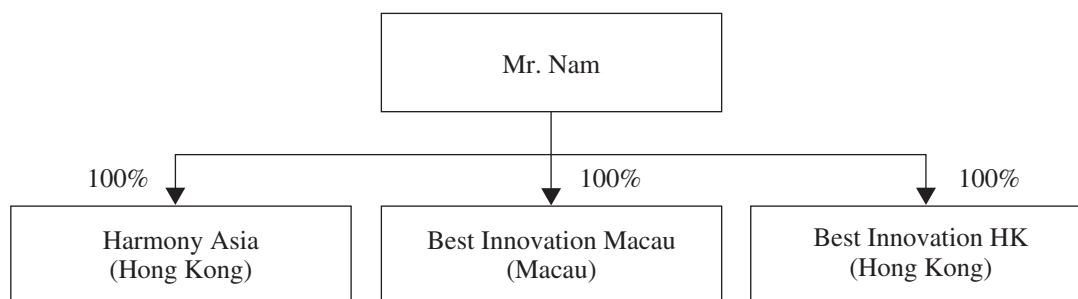
### Best Innovation Macau

On 17 September 2014, Best Innovation Macau was established in Macau as a limited liability company with a share capital of MOP25,000 with Mr. Nam holding its 100% equity interests. Since incorporation, Best Innovation Macau has been mainly serving administrative function in liaising with sub-contractors in Macau for the projects located in Macau and undertaken by Harmony Asia. Beginning from 1 January 2015, Best Innovation Macau started to contribute revenue to our Group generated from projects undertaken in its own capacity in Macau.

On 7 March 2016, as part of the Reorganisation, Mr. Nam transferred the entire equity interest in Best Innovation Macau to Best Innovation Holdings at MOP25,000, being the then paid-up share capital of Best Innovation Macau. The said transfer was properly and legally completed and settled. Upon completion of such transfer, Best Innovation Macau was 100% owned by Best Innovation Holdings.

### REORGANISATION

The following diagram sets out the corporate structure of our Group immediately before the implementation of the Reorganisation:



The Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

- (1) On 15 October 2015, Harmony Asia International was incorporated in Samoa with an authorized share capital of US\$1,000,000 divided into 1,000,000 shares with a par value of US\$1.00 each. One share was issued and allotted to the initial subscriber, which was subsequently transferred to Mr. Nam on the same date and Mr. Nam became the sole shareholder of Harmony Asia International. Also on the same date, 999,999 shares were further issued and allotted to Mr. Nam.
- (2) On 23 November 2015, our Company was incorporated in the Cayman Islands with an authorized capital of US\$50,000 divided into 50,000 Shares with a par value of US\$1.00 each. One Share in, representing 100% of the issued share capital of, our Company, was

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

issued and allotted to the initial subscriber, which was subsequently transferred to Harmony Asia International on the same date and Harmony Asia International became the sole shareholder of our Company.

- (3) On 16 December 2015, Harmony Asia Holdings was incorporated in Samoa with an authorized share capital of US\$1,000,000 divided into 1,000,000 shares with a par value of US\$1.00 each. One share was allotted and issued to the initial subscriber, which was subsequently transferred to our Company on the same date and our Company became the sole shareholder of Harmony Asia Holdings. Also on the same date, 999,999 shares were further issued and allotted to our Company.
- (4) On 16 December 2015, Best Innovation Holdings was incorporated in Samoa with an authorized share capital of US\$1,000,000 divided into 1,000,000 shares with a par value of US\$1.00 each. One share was allotted and issued to the initial subscriber, which was subsequently transferred to our Company on the same date and our Company became the sole shareholder of Best Innovation Holdings. Also on the same date, 999,999 shares were further issued and allotted to our Company.
- (5) On 19 January 2016, Best Innovation (HK) Holdings was incorporated in Samoa with an authorized share capital of US\$1,000,000 divided into 1,000,000 shares with a par value of US\$1.00 each. One share was allotted and issued to the initial subscriber, which was subsequently transferred to our Company on the same date and our Company became the sole shareholder of Best Innovation (HK) Holdings. Also on the same date, 999,999 shares were further issued and allotted to our Company.
- (6) On 5 February 2016, a sale and purchase agreement was entered into between (a) Mr. Nam; (b) Harmony Asia Holdings; (c) Best Innovation (HK) Holdings; and (d) our Company, pursuant to which Mr. Nam transferred to (i) Harmony Asia Holdings the entire issued shares legally and beneficially owned by Mr. Nam in Harmony Asia for a consideration of HK\$19,343,803; and (ii) Best Innovation (HK) Holdings the entire issued shares legally and beneficially owned by Mr. Nam in Best Innovation HK for a consideration of HK\$1.00. The consideration was determined on arm's length basis among Mr. Nam, Harmony Asia Holdings, Best Innovation (HK) Holdings and our Company after taking into account the net asset value of Harmony Asia of HK\$19,343,803 and net liability value of Best Innovation HK as at 30 September 2015. The consideration for the acquisition of Harmony Asia was satisfied by our Company allotting and issuing 7,499 new Shares, credited as fully paid, to Harmony Asia International. The consideration for the acquisition of Best Innovation HK was satisfied in cash. After completion of the sale and purchase agreement on 5 February 2016, Harmony Asia and Best Innovation HK became subsidiaries of Harmony Asia Holdings and Best Innovation (HK) Holdings respectively.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (7) A subscription agreement was entered into between (a) our Company; (b) the First Pre-IPO Investor; and (c) Mr. Nam, pursuant to which 1,376 new Shares were allotted and issued to the First Pre-IPO Investor at the subscription price of HK\$10,000,000 (the “First Pre-IPO Investment”). After completion of the subscription agreement on 5 February 2016, the shareholding of our Company was as follows:

<b>Name of Shareholder</b>	<b>Number of Shares held</b>	<b>% shareholding</b>
Harmony Asia International	7,500	84.5
First Pre-IPO Investor	<u>1,376</u>	<u>15.5</u>
<b>Total</b>	<b><u>8,876</u></b>	<b><u>100.0</u></b>

For further details of the First Pre-IPO Investment, please refer to the paragraph headed “Pre-IPO Investments” below.

- (8) On 15 February 2016, a share transfer agreement was entered into between Mr. Nam and Best Innovation Holdings, pursuant to which Mr. Nam transferred to Best Innovation Holdings the entire equity interest legally and beneficially owned by Mr. Nam in Best Innovation Macau. The consideration for the acquisition was MOP25,000 being the paid up share capital of Best Innovation Macau. After completion of the share transfer agreement on 7 March 2016, Best Innovation Macau became a subsidiary of Best Innovation Holdings and our Company became the holding company of our Group.

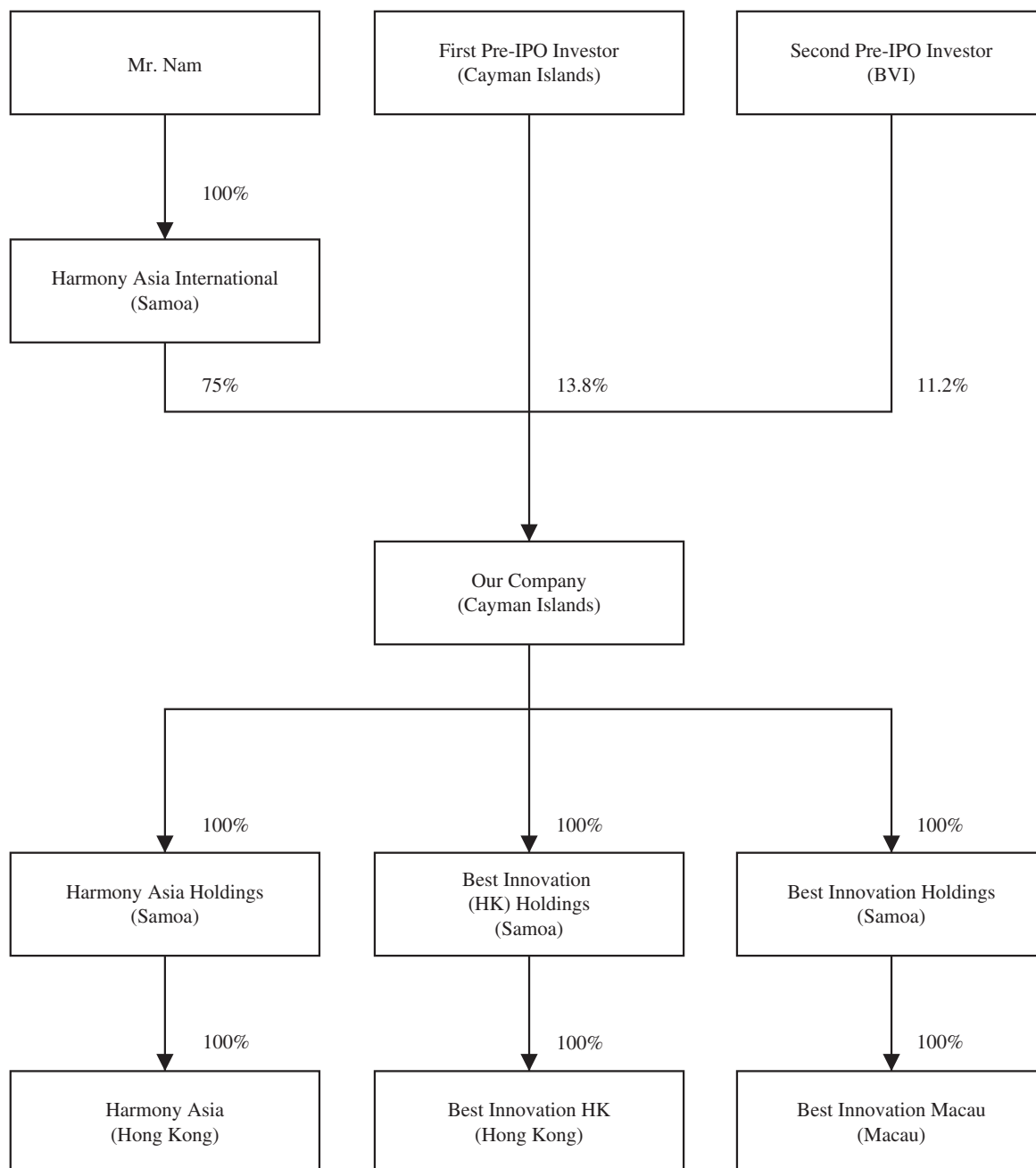
- (9) A subscription agreement was entered into between (a) our Company; (b) the Second Pre-IPO Investor; and (c) Mr. Nam, pursuant to which 1,124 new Shares were allotted and issued to the Second Pre-IPO Investor at the subscription price of HK\$8,000,000 (the “Second Pre-IPO Investment”, together with the First Pre-IPO Investment, the “Pre-IPO Investments”). After completion of the subscription agreement on 8 April 2016, the shareholding of our Company was as follows:

<b>Name of Shareholder</b>	<b>Number of Shares held</b>	<b>% shareholding</b>
Harmony Asia International	7,500	75.0
First Pre-IPO Investor	1,376	13.8
Second Pre-IPO Investor	<u>1,124</u>	<u>11.2</u>
<b>Total</b>	<b><u>10,000</u></b>	<b><u>100.0</u></b>

For further details of the Second Pre-IPO Investment, please refer to the paragraph headed “Pre-IPO Investments” below.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of our Group immediately after the abovementioned Reorganisation but before the Capitalisation Issue and the Public Offering:



### PRE-IPO INVESTMENTS

On 11 January 2016, a subscription agreement was entered into between (a) our Company as issuer; (b) the First Pre-IPO Investor as subscriber; and (c) Mr. Nam as guarantor, pursuant to which the First Pre-IPO Investor subscribed for 1,376 Shares at the subscription price of HK\$10,000,000.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 8 April 2016, a subscription agreement was entered into between (a) our Company as issuer; (b) the Second Pre-IPO Investor as subscriber; and (c) Mr. Nam as guarantor, pursuant to which the Second Pre-IPO Investor subscribed for 1,124 Shares at the subscription price of HK\$8,000,000.

### **Background of the Pre-IPO Investors**

The First Pre-IPO Investor is an exempted segregated portfolio company limited by shares incorporated under the laws of Cayman Islands. The First Pre-IPO Investor is principally engaged in investment in private equities and equity-related securities in leading market players in different sub-sectors. Mr. Tan Kean Ee is our non-executive Director nominated by the First Pre-IPO Investor pursuant to its right under the First Pre-IPO Investment. Based on the information available to our Company, on 27 April 2017, FRO Management Holdings Limited (“FRO Management”), a company owned by segregated portfolios under Global Equity Value Fund SPC (“Global Equity”), which the First Pre-IPO Investor belongs, subscribed a 5% interest bearing convertible bond due on 31 December 2018 in the principal amount of HK\$40 million (the “Convertible Bond”) issued by Chinney Shun Cheong Holdings Limited (“Chinney Shun Cheong”). Chinney Shun Cheong is a wholly-owned subsidiary of Chinney Alliance, a company listed on the Stock Exchange (Stock Code: 385) which in turn is the holding company of Shun Cheong. Shun Cheong was the largest customer and supplier of our Group during the Track Record Period. To the best knowledge of the Directors, even if the Convertible Bond is fully converted, Chinney Shun Cheong will not become an associate of the First Pre-IPO Investor, Global Equity and its segregated portfolio by virtue of the 25% interest held by FRO Management upon conversion. Accordingly, Chinney Shun Cheong, Shun Cheong and Chinney Alliance will not become connected persons of the Company as a result of the conversion of the Convertible Bond. Despite of the above, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the First Pre-IPO Investor and its ultimate beneficial owner are Independent Third Parties.

The Second Pre-IPO Investor is an investment holding company incorporated in BVI on 18 November 2015 and wholly owned by Mr. Chong Siu Pui who is the cousin of Mr. Chong Kam Fung, being a non-executive Director nominated by the Second Pre-IPO Investor pursuant to its right under the Second Pre-IPO Investment. Other than that, the Second Pre-IPO Investor and its ultimate beneficial owner are Independent Third Parties. Mr. Chong Siu Pui is currently an executive director and one of the controlling shareholders of Ahsay Backup Software Development Company Limited (亞勢備份軟件開發有限公司) (together with its subsidiaries, the “Ahsay Group”), a company listed on the GEM (Stock Code: 8290). He is one of the founders of the Ahsay Group and currently the chief executive officer of the Ahsay Group responsible for overseeing its business development, in-house operations, overall strategic planning and the finance and accounting activities. Mr. Chong is a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom and the Hong Kong Institute of Certified Public Accountants (HKICPA), respectively, as well as a full member of the CPA Australia (FCPA (Aust.)). Mr. Chong Siu Pui was introduced to Mr. Nam in a business event. With the experiences of Mr. Chong in strategic planning and business management for listed company as well as his accounting expertise, it is believed that Mr. Chong, through the Second Pre-IPO Investor wholly owned by him, would contribute to our Group by providing advice on strategic development and financial management.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Principal Terms of the Pre-IPO Investments

The below table summarize the details and the principal terms of the Pre-IPO Investments:

<b>Name of the Pre-IPO Investor</b>	Global Equity Value Fund SPC FRO Capital Fund I SP	Morgan Star Investment Limited
<b>Date of the Subscription Agreement</b>	11 January 2016	8 April 2016
<b>Amount of consideration paid</b>	HK\$10,000,000	HK\$8,000,000
<b>Payment date of the consideration</b>	5 February 2016	8 April 2016
<b>Basis of determination of the consideration</b>	The consideration was determined based on arm's length negotiations with reference to the unaudited net asset value of Harmony Asia, Best Innovation HK and Best Innovation Macau as at 30 September 2015	
<b>Shares held after the Capitalisation Issue</b>	134,160,000	109,590,000
<b>Effective cost per Share paid (taking into account of the Capitalisation Issue)</b>	HK\$0.07	HK\$0.07
<b>Discount to the Offer Price</b>	Approximately 69.6% of HK\$0.23, being the mid-point of the Offer Price range	Approximately 69.6% of HK\$0.23, being the mid-point of the Offer Price range
<b>Use of proceeds</b>	As of the Latest Practicable Date, the net proceeds from the First Pre-IPO Investment have been fully utilized. The proceeds were applied by our Group for payment to our sub-contractors and suppliers.	As of the Latest Practicable Date, the net proceeds from the Second Pre-IPO Investment have been fully utilized. The proceeds were applied by our Group for payment to our sub-contractors and suppliers.
<b>Strategic benefits to our Company</b>	Our Directors believe that the investment can strengthen the share capital base and diversify the shareholders' portfolio of our Group and will bring in strategic benefits to our Group by providing strategic advice to our Group for development and expansion of our Group and enhance our accounting and financial management.	

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<b>Shareholding in our Company upon Listing</b>	10.3%	8.4%
<b>Lock-up period</b>	None	None
<b>Public float</b>	The Shares held by the First Pre-IPO Investor are not considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules as the First Pre-IPO Investor will be a substantial shareholder of our Company upon Listing.	The Shares held by the Second Pre-IPO Investor are considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules as (i) the Second Pre-IPO Investor and its ultimate beneficial owner is not a director, chief executive or substantial shareholder of our Company or its subsidiaries or a close associate of any of them (the “Non-Public Shareholders”); (ii) the acquisition of the Shares by the Second Pre-IPO Investor was not financed by the Non-Public Shareholders; and (iii) the Second Pre-IPO Investor is not accustomed to take instructions from a Non-Public Shareholder for the voting or dispositions in respect of the Shares held by the Second Pre-IPO Investor.

### **Rights of the Pre-IPO Investors**

Pursuant to the subscription agreements of the First Pre-IPO Investment and the Second Pre-IPO Investment, each of the First Pre-IPO Investor and the Second Pre-IPO Investor were granted the following rights, each of which will be automatically terminated upon the Listing:

#### *Board Appointment Right*

Each of the First Pre-IPO Investor and the Second Pre-IPO Investor is entitled to nominate one Director which acts as a non-executive Director. The First Pre-IPO Investor nominated Mr. Tan, Kean Ee and the Second Pre-IPO Investor nominated Mr. Chong Kam Fung as our non-executive Directors. Mr. Chong Kam Fung is the cousin of Mr. Chong Siu Pui, the sole owner of the Second Pre-IPO Investor. Mr. Tan and Mr. Chong will be subject to retirement and re-appointment requirements under the Articles of Association and the GEM Listing Rules after Listing.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Change in share capital*

Our Company shall not make any alteration in its capital structure, including without limitation by way of rights issue, bonus issue, capitalisation of profits and any other issues of shares, options, warrants or convertible, exchangeable or other equity-related securities, whether for cash consideration or otherwise, share splits, share combinations, a reduction of capital or otherwise whatsoever without the prior written approval of the Pre-IPO Investors, and our Company shall procure that each member of our Group not to do the same without the prior written approval of the Pre-IPO Investors. For the avoidance of doubt, the Capitalisation Issue proposed to be conducted in contemplation of the Public Offering is not subject to approval of the Pre-IPO Investors. Please refer to the paragraph headed “Capitalisation Issue” of this section for further details of such issue.

### *Information Rights*

Our Company shall:

1. deliver to the Pre-IPO Investors financial statements of our Group on monthly basis; (1) copies of all documents or other information sent to any shareholder; and (2) an annual budget within thirty (30) calendar days before the end of each fiscal year;
2. grant the Pre-IPO Investors the right to inspect the facilities, books and records of our Group for their evaluation on the business, operations and conditions of our Group, all at such reasonable times as may be reasonably requested by the Pre-IPO Investors; and
3. inform the Pre-IPO Investors of any material adverse change in the financial and/or trading position and/or the prospects of our Group and deliver to the Pre-IPO Investors any relevant documents as the Pre-IPO Investors reasonably consider necessary for determining the extent of the material adverse change in the financial and/or trading position and/or the prospects of our Group.

### *Listing*

Under the subscription agreements of the First Pre-IPO Investment and the Second Pre-IPO Investment, if the Listing does not take place on or before 31 December 2016 (or such other day as may be agreed between the parties), the Pre-IPO Investors shall have right (but not obliged) to require Mr. Nam, our Controlling Shareholder to acquire the Shares held by the Pre-IPO Investors at the consideration in aggregate sum of (i) the subscription price paid by the Pre-IPO Investors and (ii) 10% per annum on the said subscription price calculated from completion of the Pre-IPO Investments until the date when the Shares are repurchased by Mr. Nam. Since it is a right of the Pre-IPO Investors, it is not a must for the Pre-IPO Investors to require Mr. Nam to acquire the Shares. The then intention of the Pre-IPO Investors was to continuously hold the Shares even if the Listing does not take place on or before 31 December 2016.

Save as disclosed above, no special rights have been assigned to the First Pre-IPO Investor and the Second Pre-IPO Investor whose entitlement is equal to that of other Shareholders under our Articles of Association.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 28 December 2016, in view of the then status that the Listing would not take place on 31 December 2016, in order to straighten out the uncertainty in relation to their put right, each of the First Pre-IPO Investor and the Second Pre-IPO Investor irrevocably and unconditionally confirmed to Mr. Nam that they would not exercise the right to require Mr. Nam to repurchase the Shares and further confirmed they would continue to hold the Shares by removing the said right irrevocably and permanently. Written confirmation was issued by the First Pre-IPO Investor and the Second Pre-IPO Investor in this regard. All the terms of the subscription agreements remain unchanged. As advised by our Hong Kong legal adviser, such confirmation would not constitute any new agreement nor an amendment to the subscription agreements based on the following grounds:

- the right granted to the Pre-IPO Investors under the subscription agreements is of discretionary nature which is exercisable under the discretion of the Pre-IPO Investors. The confirmation on removal of the right is in effect and in substance an indication of the original intention of the Pre-IPO Investors not to exercise the post-completion discretionary right granted to them under the subscription agreements for the Pre-IPO Investments;
- the confirmation was served by the Pre-IPO Investors to merely signify their original intention to continue to hold the Shares already acquired by them under the subscription agreements with no intention to amend any terms of the agreements at all; and
- no agreement, contract or instrument has ever been made to amend any terms to the subscription agreements which remain valid and subsisting on the terms originally contracted among the contracting parties.

As such, the Pre-IPO Investments had already been irrevocably settled when the investment considerations were paid.

### **Sole Sponsor's Confirmation**

The Sole Sponsor has confirmed that the investment by the First Pre-IPO Investor and the Second Pre-IPO Investor is in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued on October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

### **CAPITALISATION ISSUE**

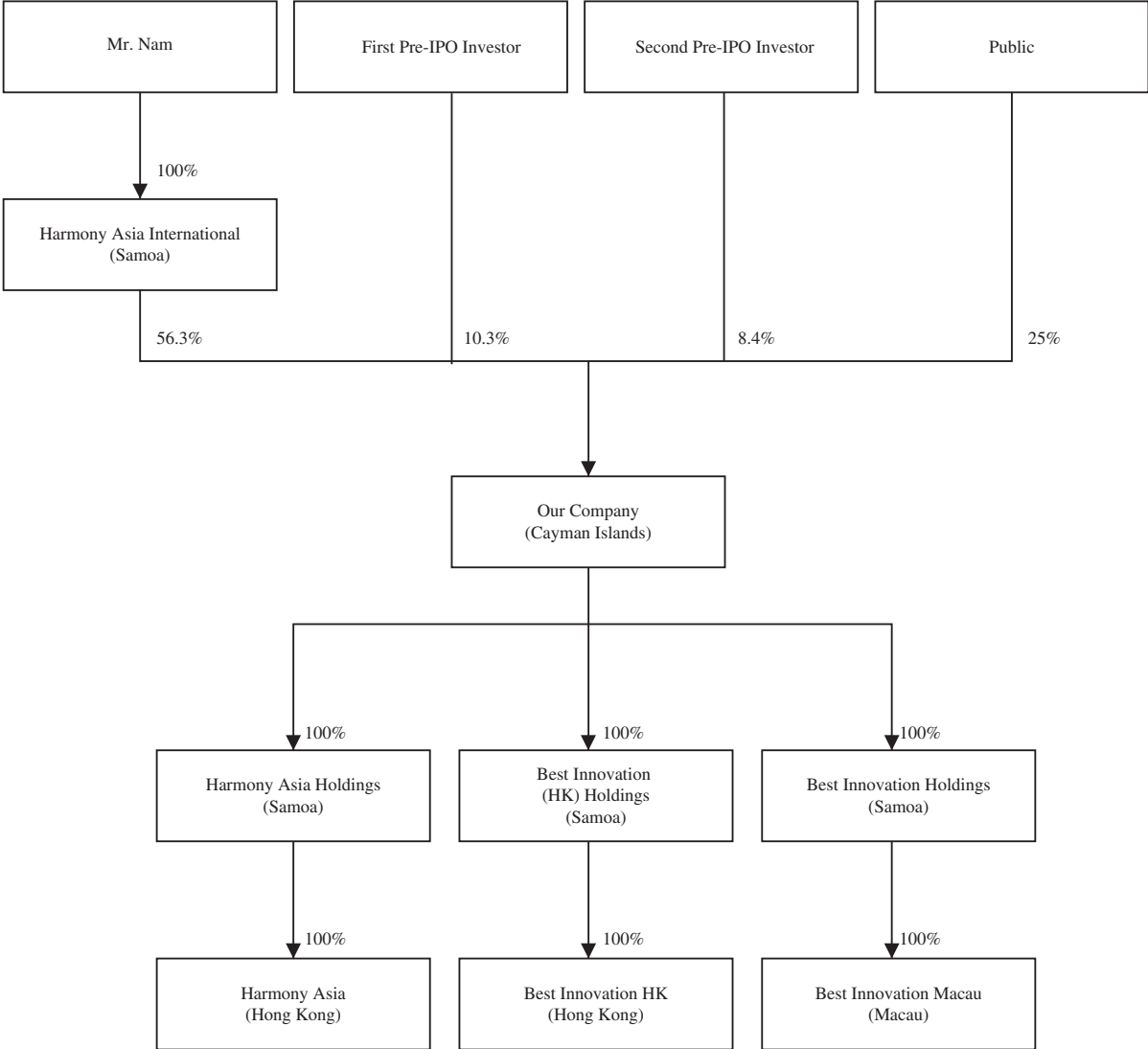
Pursuant to the resolutions of our Shareholders passed on 12 May 2017, our Directors were authorised to capitalise an amount of HK\$9,749,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 974,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 12 May 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 the Capitalisation Issue was approved.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## PUBLIC OFFERING

Assuming the Public Offering becomes unconditional, our Company will offer 325,000,000 new Shares under the Public Offering. For further details of the Public Offering, please refer to the section headed “Structure of the Public Offering” in this prospectus.

The following diagram sets out the corporate structure of our Group immediately following the Capitalisation Issue and the Public Offering (without taking into account any Shares which may be issued pursuant to the Share Option Scheme):



## BUSINESS

### OVERVIEW OF OUR BUSINESS

We are a Hong Kong-based contractor specialised in design, procurement and installation services of the Water Circulation Systems, including swimming pools, water fountains and water curtains, etc. Our services are mainly categorised as (i) management contracting services — design, procurement and installation of Water Circulation Systems, (ii) consultancy services — provision of consultancy services on design of Water Circulation Systems and (iii) maintenance services — provision of maintenance and repair services for Water Circulation Systems.

Our management contracting services is our major business segment. The revenue derived from such business segment represented over 90% of our revenue during the Track Record Period. The revenue derived from our consultancy services and maintenance services in aggregate represented less than 10% of our revenue during the Track Record Period.

During the Track Record Period, we had provided our services in various private residence projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau, whereby the developers, main contractors and sub-contractors engaged our services for the water related facilities, such as swimming pools, water fountains and water curtains, in their projects.

According to the F&S Report, our Group ranked the first in terms of sales revenue in the water-related facility service market in Hong Kong and Macau in 2016 respectively, accounting for approximately 28.4% and 35.9% of the total market share in Hong Kong and Macau respectively.

During the Track Record Period:

- (a) we have completed 19 projects;
- (b) our revenue derived from projects in Hong Kong represented approximately 43.6%, 23.5% and 53.1% of our total revenue respectively and our revenue derived from projects in Macau represented approximately 56.4%, 76.5% and 46.9% of our total revenue respectively; and
- (c) our revenue and profit for the years/periods indicated are as follows:

	<b>Year ended 31 March</b>		<b>Eight months ended</b>	
	<b>2015</b>	<b>2016</b>	<b>30 November</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	57,153	90,905	54,911	67,238
Gross profit	14,427	23,641	14,135	17,739
Profit (loss) before tax	8,945	11,808	8,260	(377)
Profit (loss) and total comprehensive income (expenses) for the year/period	6,726	9,609	7,004	(1,615)

## **OUR COMPETITIVE STRENGTHS**

We believe the following strengths contribute to our success and distinguish us from our competitors:

### **We have extensive experiences in projects on water-related facilities in Macau where there is abundant demand for water feature and landscaping services**

Tourism remains to be the core industry in Macau with the openings of new hotels and casinos in the recent years. Our Directors expect that there will continuously be new projects on hotel, casino, shopping and recreation complexes in Macau. Our Group have started to involve in water-related facilities projects in Macau long before the commencement of the Track Record Period. In 2006, our Group commenced a project in a Macau hotel. During the past 10 years, our Group was involved in over 10 projects in Macau. During the Track Record Period, we have been engaged to design and install water-related facilities in 5 projects in Macau and we expect to be involved in more projects in the coming years. Since we expect that many projects with water-related facilities will be launched in Macau in the coming years, our Directors believe that our extensive experience in projects involving water-related facilities in Macau will position us well in securing projects in Macau for the coming years.

### **We have an experienced management team**

We have an experienced management team. Our executive Directors, Mr. Nam, Mr. Ng Wan Lok and Ms. Wong Wing Hung, have more than 20, 20 and 15 years of experience in water-related facility service market respectively. Please refer to the section headed “Directors and Senior Management” in the prospectus for further details on the biographical details of our executive Directors. In addition to our executive Directors, Mr. Yeung Yuen Wang, one of our senior management, also has 7 years of experience in the engineering and construction industry. Their qualifications and experience facilitate (i) the preparation of competitive tenders, which are essential in securing new business opportunities, and (ii) the formulation of effective work plans to carry out our project works in an efficient and timely manner. Our Directors believe that the combination of our management and design teams’ expertise and knowledge of the industry have been and will continue to be our Group’s valuable assets and strive our Group towards greater success.

### **We are a member of TEA**

We believe continuous innovation and improvement in our design on water-related facilities is the key to our success. We are a member of TEA and we are able to obtain the most updated information regarding the latest water landscape design and trend.

TEA is an international non-profit association. Its members aim to bring expertise in a variety of disciplines to a field that is constantly evolving, i.e. the creation of visitor attractions in the leisure and travel sector. These projects include theme parks, water parks, museums, zoos, corporate visitor centers, casinos, restaurants, multimedia spectaculars, retail spaces, resorts, etc.

## BUSINESS

According to the website of TEA, TEA encompasses a community of more than 1,200 member companies in 40 countries with expertise in design, logistics, architecture, construction and manufacturing. To become a member of TEA, it has to (i) be directly involved in the creation of compelling places and experiences such as master planning, architecture, scenic design or fabrication, system integration, lighting design, writing, engineering, show production, and (ii) have two TEA member sponsors or two business references.

TEA membership provides our Group with opportunities to develop new professional and business contacts relevant to our industry. As a member of TEA, our Group enjoys membership in an organization comprised of over 1,200 companies worldwide involved in the design, planning and construction of themed entertainment parks, zoos, museums and educational facilities. TEA encourages all members to help each other with new opportunities, networking of technical expertise, and recommendations of proven vendors.

By the recommendation of proven vendors from other TEA members, our Group can directly purchase consumables from these overseas vendors instead of their agents in Hong Kong, the unit price from the agents of which is usually higher.

With the updated technical know-how, our Group is able to propose to the property owner with new design on water features which in return will increase the project's variation order. For example, our Group has successfully recommended the adoption of the crystal fountain leaper jet system to the owner of Project A and the technology and equipment of this system came from TEA members. Moreover, such updated technical know-how can also differentiate our Group from our competitors in the market and our Group can usually have a higher gross profit margin for those variation order that are involving advanced technical know-how.

In addition, our Group has opportunities to attend events sponsored by TEA and meet potential business partners at gatherings in Hong Kong and overseas from time to time. This will also increase the awareness of our Group and the tender success rate for mega-sized projects, especially for theme park related projects.

With a variety of member open houses, educational seminars, round-table discussions, social mixers and parties, members are able to gain access to global resources that are beneficial to gaining industry knowledge and keeping up-to-date on the themed entertainment business.

Our Directors believe that, through being a member of TEA, we are able to share and keep up-to-date with any information of technical know-how, industry knowledge and potential market opportunities.

### **We have established relationships with sub-contractors**

We believe that, throughout our operating history, we have established business relationships with our major sub-contractors that can provide stable supply of skilled workers to us and assist us to complete the projects efficiently. Some sub-contractors have been working with our Group for 8 years. We believe that such business relationships with our major sub-contractors can facilitate timely completion of projects and can develop further new business opportunities while it is easier for us to control our costs through past practice and favorable terms.



## **OUR BUSINESS STRATEGIES**

Our business objective is to maintain a sustainable growth in our existing business, increase our market share in the water-related facility service market in Hong Kong and Macau. Our Directors plan to achieve these business objectives by pursuing the following strategies. Please refer to the section headed “Future plans and use of proceeds — Implementation Plans” in this prospectus for the implementation plans of our business strategies and objectives.

### **Strengthen our industry position in Hong Kong and Macau**

According to the F&S Report, the water-related facility service market in Hong Kong took an upward trend. The value of water-related facility service market in Hong Kong reached HK\$167.9 million in 2016, representing a CAGR of 14.4% during the period from 2010 to 2016. In 2020, the market in Hong Kong will be projected to reach HK\$264.8 million. Our Company ranked the first in terms of sales revenue of the water-related facility service market in Hong Kong in 2016, accounting for approximately 28.4% of the total market share.

In Macau, the water-related facility service market developed rapidly in recent years due to booming of gaming industry. From 2010 to 2016, the value of water-related facility service market in Macau grew at CAGR of 30.1%, reaching HK\$138.5 million in 2016. In 2020, the water-related facility service market in Macau is likely to amount to HK\$280.5 million. According to the F&S Report, our Company ranked the first in terms of sales revenue of water-related facility service market in Macau in 2016, accounting for approximately 35.9% of the total market share.

In the overall construction industry of Hong Kong or Macau, the water-related facility service market can be regarded as a pretty niche market. As of 2016, the Hong Kong water-related facility service market merely took up about 0.07% of total Hong Kong construction market in term of revenue. Meanwhile, the revenue of water-related facility service market in Macau accounted for about 0.13% of total Macau construction market.

Our Group intends to use approximately 51.2% of the proceeds from the Public Offering to satisfy the performance bond requirement in order to enable our Group to undertake more projects and to participate directly with the developers and main contractors on our own. Further, our Group plans to use approximately 9.4% of the proceeds from the Public Offering to recruit additional professional staff with relevant experience in order to strengthen our technical and project management capabilities. Moreover, our Group intends to use approximately 6.5% of the proceeds from the Public Offering to establish a Macau office/warehouse which will signify our Group’s presence and commitment to Macau, giving confidence to our potential Macau customers and enhance our reputation in Macau. Leveraging on our strengthened financial resources, enhanced professional team, improved corporate image as being a listed company and enhanced customer confidence, we will continue to increase our market share in Hong Kong and Macau and strengthen our industry position in Hong Kong and Macau.

### **Enhance our capital base to secure more projects and expand our business**

For mega-sized projects, we alone may not be able to satisfy the internal eligibility requirements set by the developers or the main contractors and therefore we may not be considered as their preferred tenderer. Under such circumstance, we have to act as the sub-contractor of other eligible party to participate in those projects. Our Directors understand that every project usually has its own eligibility

## BUSINESS

requirements such as: (i) value of contracts handled by us in the past; (ii) our annual turnover; (iii) our financial position (whether we are strong enough to support the operating cash for completing the project); (iv) number and qualification of our technical staff; and (v) registration with relevant authorities in Hong Kong and Macau. For mega-sized projects, the eligibility requirements are more stringent. Besides, some customers, especially for those mega-sized projects, require our Group to provide performance bonds issued by banks or insurance companies in favour of them as security for due performance. In procuring such performance bonds, our Group are usually required to deposit a required amount of monies to such banks or insurance companies. During the Track Record Period and up to the Latest Practicable Date, we deposited an aggregate amount of approximately HK\$1.9 million with banks and insurance companies to procure performance bonds in the aggregate amount of approximately HK\$2.5 million for eight projects with a total contract sum of approximately HK\$29.7 million. Therefore, in obtaining more performance bonds and/or performance bonds of higher value, we will need more financial resources. Such performance bonds are normally released upon the issuance of the certificate of practical completion or upon the issue of certificate of completion of making good defects after the expiry of defect liability period. Generally, the amount of performance bond paid is usually directly correlated to the total contract sum for a project and the amount of performance bond required for each project would usually not exceed 10% of the tender sums.

However, due to our limited financial resources, the aggregate value of performance bond which could be obtained by our Group is limited and hence, limiting our ability to bid for certain projects that required us to provide performance bond. Our Directors believe that the Public Offering will strengthen and enhance our capital base and our financial position so that we can take a more proactive approach to secure mega-sized projects solely on our own in the future as we have the capacity to obtain more performance bonds and/or performance bonds of higher value to secure such projects.

### **Strengthen our technical and project management capabilities to further improve our operational efficiency**

Our Directors believe that a continued commitment in the development of our technical capabilities forms an important part of our strategy to strengthen our market position in the water-related facility service market and recruitment of competent persons with specific skills and experiences is an integral part of this strategy. We will continue to expand our operation by maintaining and enhancing our workforce and technical capabilities such that we will be able to capture more market opportunities in Hong Kong and Macau and secure new projects of different sizes, scales and complexity.

To ensure that we have sufficient competent persons for our projects on hand and newly awarded projects, from 1 April 2016 and up to the Latest Practicable Date, 2 additional project managers, 1 additional project engineers, 2 additional assistant project engineers and 1 additional project secretary have been recruited to strengthen our project management capability and our project team. As at the Latest Practicable Date, we had a total of 24 employees, details of which are set out in the section headed “Business — Employees” in this prospectus.

To further enhance our technical capabilities, we plan to utilize approximately HK\$4.5 million from the proceeds of the Public Offering to recruit 1 chartered senior engineer, 1 quantity surveyor, 2 assistant project managers and 2 engineers for the expansion and strengthening of our project team. To maintain a high quality and professional workforce, we also intend to provide technical seminars and safety courses for our existing and newly recruited staff on occupational health and safety, site

equipment operation and technical seminars organized by external parties. We intend to continue to leverage on our technical expertise and extensive experience to develop tailor-made project designs and deliver effective solutions to our customers.

**Establish an operation premise in Macau**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our revenue derived from projects in Macau accounted for approximately 56.4%, 76.5% and 46.9% of our total revenue respectively. Nevertheless, save and except a staff quarter and a car parking space, our Group does not have an established office nor operation premise in Macau.

Our Company takes the view that the demand for design, procurement and installation services of Water Circulation Systems in Macau is still intense as there are still many on-going construction projects and there are also demand for residential property development. For more details on the industry environment, please refer to the section headed “Industry Overview” in this prospectus. To cater for our future business development in Macau, our Directors are of the view that an established office premise in Macau will become important for our operation there. Such office will be used for our daily operation in Macau such that our operational efficiency could be enhanced because:

1. it is more and more difficult to import our project team from Hong Kong to work in Macau, due to the stringent requirements for applying Macau working visa for foreign workers. In addition, the Macau working visa and work permit granted to foreign workers generally restricts the workers to perform their work at a particular work site, but there is no such restriction for the work permit granted to local workers. Such site restriction has no material impact on our Group when our Group only has 1 or 2 projects in Macau. However, as our Group continues to expand our business in Macau and participate in more projects in Macau at the same time, our Group has to formally establish a Macau office and form a Macau project team by recruiting local engineers so that the Macau project team can perform on-site supervision and monitor various projects on hand at the same time without the site restriction imposed to foreign workers.
2. by forming a Macau project team, our Group can allocate the team to oversee various projects at the same time, and the average staff resource allocated to the projects in Macau can be reduced as there is no site restriction for the local workers, and hence increase the competitiveness of our Group’s tender price for Macau projects.
3. further, forming the Macau project team can also allow our Group to bid for more Macau projects without concerning the availability of Macau working visa and/or work permit and the site restrictions imposed on foreign workers;
4. a Macau office will allow us to retain or station staff in Macau and has more immediate access to potential customers in Macau; and
5. a Macau office/warehouse will signify our Group’s presence and commitment to Macau. We will give confidence to our potential Macau customers and enhance our reputation in Macau. This will ultimately enhance the tender success rate of our Group in respect of Macau projects.

## BUSINESS

Our Group aims to look for an office premise with a warehouse, where we can store our tools, equipment and other materials from time to time and this may help us to avoid unnecessary wastage and enhance our flexibility in resource allocation, in particular where we have more than one projects in Macau in the future. With such warehouse, our Group can also purchase certain important equipment for our works, such as electric scissor lift, so that we can reduce our reliance on our suppliers and sub-contractors for providing the same to us and we can have better control in our costs and working schedule.

The expected total capital expenditure for the above operation premise and purchase of tools and equipment until 30 September 2019 will be approximately HK\$3.1 million and HK\$2.0 million respectively, which will be financed by the proceeds from the Public Offering.

### OUR BUSINESS MODEL

#### *Introduction*

We are a Hong Kong-based contractor specialised in design, procurement and installation services of the Water Circulation Systems including swimming pools, water fountains and water curtains, etc. Our services are mainly categorised as (i) management contracting services — design, procurement and installation of Water Circulation Systems, (ii) consultancy services — provision of consultancy services on design of Water Circulation Systems and (iii) maintenance services — provision of maintenance and repair services for Water Circulation Systems.

We provide services mainly to developers, main contractors and sub-contractors.

#### *Management contracting services*

Our management contracting services is our major business segment. The revenue derived from such business segment represented over 90% of our revenue during the Track Record Period. Our services mainly include design, procurement and installation of the Water Circulation Systems, including the related electrical work and plumbing work. Such systems serve the purpose of, inter alia, water distribution, removal of chemical, sediment separation, make-up water supply and maintenance of water cleanliness, etc.

We render most of the core services by ourselves including, the overall design of the Water Circulation Systems, procurement of the consumables, and the overall project management. While we will assign our own project manager to manage the work of our Group at the construction site of each project, we engage sub-contractors to arrange their workers to carry out the installation works for us under our supervision, and sometimes, we may also engage some temporary workers to perform some specific works in our projects. For those projects, we generally charge our customers based on the percentage of completion of the contract works done by us.

#### *Consultancy services and maintenance services*

Apart from management contracting services, we have also provided certain (i) consultancy services, which mainly include design of Water Circulation System and (ii) maintenance services in connection with water-related facilities. The revenue derived from our consultancy services and maintenance services in aggregate represented less than 10% of our revenue during the Track Record

## BUSINESS

Period. For our consultancy services, our fees are charged when the services are rendered to the customers upon the delivery of the design work. For our maintenance services, our fees are charged on a monthly basis and additional fees are charged for replacement of parts.

### *Revenue in term of types of services*

The table below sets out a breakdown of our revenue derived by types of our services for the years/periods indicated:

Revenue	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Management contracting services	53,114	92.9	89,823	98.8	53,928	98.2	64,892	96.5
Consultancy services	3,963	7.0	1,017	1.1	940	1.7	2,279	3.4
Maintenance services	76	0.1	65	0.1	43	0.1	67	0.1
<b>Total</b>	<b>57,153</b>	<b>100.0</b>	<b>90,905</b>	<b>100.0</b>	<b>54,911</b>	<b>100.0</b>	<b>67,238</b>	<b>100.0</b>

### *Revenue in term of geographical locations of projects*

During the Track Record Period, all of our projects were located in Hong Kong and Macau. The table below sets out the breakdown of our revenue by geographical locations of the projects for the years/periods indicated:

Revenue	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Macau	32,240	56.4	69,576	76.5	41,758	76.0	31,535	46.9
Hong Kong	24,913	43.6	21,329	23.5	13,153	24.0	35,703	53.1
<b>Total</b>	<b>57,153</b>	<b>100.0</b>	<b>90,905</b>	<b>100.0</b>	<b>54,911</b>	<b>100.0</b>	<b>67,238</b>	<b>100.0</b>

## OUR SERVICES

### **Management Contracting Services**

Our management contracting services mainly involve design, procurement and installation services of the Water Circulation System. Such system is used in, inter alia, swimming pools, water fountains and water curtains, etc.

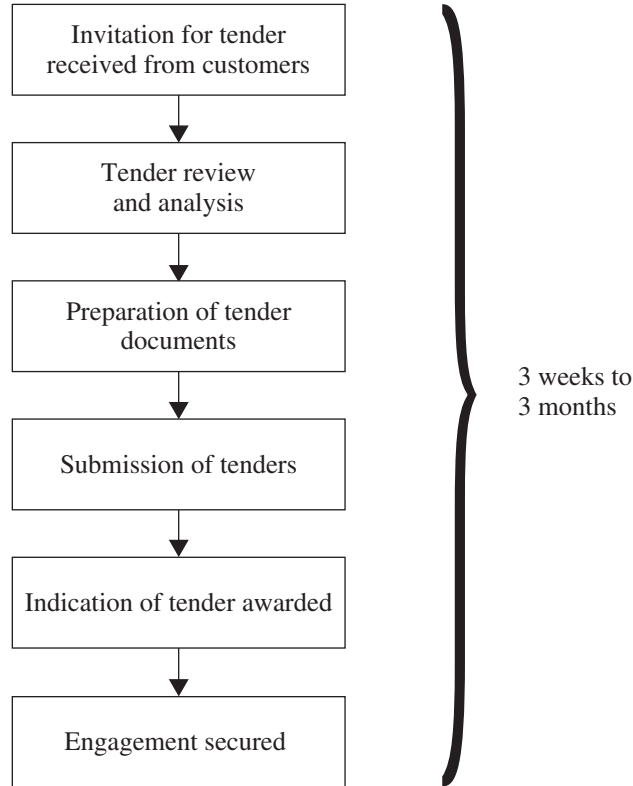
Our management contracting service is project-based.

Each of our projects mainly involved 3 stages: (i) project identification; (ii) project implementation; and (iii) project completion.

## BUSINESS

### *Project identification for management contracting services*

The chart below shows our typical project identification steps for our management contracting services:



### *Invitation for tender received from customers*

During the Track Record Period, our new projects were awarded through tendering process by the receipt of tender invitations from customers.

Our Directors understand that potential customers usually select certain number of contractors as potential candidates for the tender based on its internal list of eligible contractors or preferred tenderers. If we are on its list of eligible contractors or preferred tenderers, we may receive either tender intention inquiry or tender invitation from such customer for the potential project.

Tender invitation letter(s) may be issued by property developers, its consultants or main contractors. Such invitation letter usually includes brief description of the works, technical specifications and the closing date of the tender. There may or may not be drawings on the works and we may be asked to propose our design on the same.

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### *Tender review and analysis*

On receipt of a tender invitation, we will evaluate and conduct preliminary analysis of the tender documents, study the tender background, make forecast review and, if possible, ascertain whether they are profitable and manageable. We normally make decisions based on a number of factors including the scope and complexity of work, project specification and requirements, feasibility of specified timetable, background of customer, availability of our resources and expertise and our financial conditions.

### *Preparation of tender documents*

The preparation of tender documents involves estimates of costs, determination of tender price, technical analysis, cash flow analysis and risk assessment, etc.

In the course of preparing a tender, we mainly consider (i) the size, scope and complexity of a potential project; (ii) the cost of drawings (if any); (iii) the consumables and human resources required; and (iv) the tender price. To better estimate our direct cost, we may also first obtain fee quotations from our suppliers and/or sub-contractors. For details of our pricing strategy, please refer to the section headed “Business — Pricing strategy and policy” in this prospectus. The tender documents mainly include the specification of the consumables, the scope of services we provide and deliver, the qualifications and experiences of our project team, and our fee proposal.

Our executive Directors review and approve all tenders including the price before submission of tender documents. Generally, depending on the deadline set by the developers or main contractors and the complexity of the tender, it takes about 3 weeks to up to 3 months from receipt of the tender invitation to submission of the tender documents.

### *Submission of tenders*

Upon finalising the tender price and other documents required for the tender submission, we will submit the tender to the potential customer. Sometimes, the potential customer may also request for information showing our financial capabilities and positions, such as our bank statements, banking facilities available to us, etc. Our potential customer may also conduct interviews with short-listed candidates. Based on the tender submitted, the potential customer may further discuss with us on the terms of the tentative engagement. Generally, it takes another 3–6 months before the release of the results of the tender.

### *Indication of tender awarded*

Once a customer decides to award the tender to us, our customer issues to us a letter of nomination or a letter of acceptance, and thereafter enters into a formal engagement agreement with us. For the principal terms of our engagement in a typical contract, please refer to the section headed “Business — Major terms of our agreements with our customers for management contracting services” in this prospectus.

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The table below sets out the approximate number of tenders submitted by and contracts awarded to our Group for the years indicated:

	Year ended 31 March		Eight months ended
	2015	2016	30 November
	<i>Number</i>	<i>Number</i>	<i>2016</i> <i>Number</i>
Tender submitted	28	45	22
Contracts awarded	8	8	5
<b>Success rate</b> ( <i>Note</i> )	28.6%	17.8%	22.7%

*Note:* The tender success rate is an approximate percentage calculated for illustration purpose only by dividing the number of tenders submitted by the number of the contracts awarded during the relevant year. The contract for a tender submitted in a year may be awarded in the following year, and in some cases there may be substantial difference between the number of contracts awarded and the tenders originally submitted.

One of the main reasons for the above tender success rates was that, taking into account the availability of our manpower, our capacity, the number of projects we were working on at the material time and the schedule of the project to be tendered for, we sometimes had taken a relatively prudent approach in costs estimation by factoring a higher profit margin for tender invitation for projects of a smaller scale, which may cause our tender price to be less competitive.

Our tender success rate has dropped for the year ended 31 March 2016 principally because we have focused our effort and resources for the preparation of a mega-sized project, namely Project A. During the said year, we kept receiving invitation letters for tenders from our potential customers. In order to maintain our market presence but with the limitation of our manpower, capacity and resources as a result of Project A, our Group was hesitant in offering competitive terms when submitting further tender in response to the invitation received from customers, which in turn resulted in lower success rate of our tenders.

When Project A approached its final stage subsequent to 31 March 2016 and is expected to be completed in June 2017, the demand for our manpower, capacity and resources were lessened with revenue of only approximately HK\$16.5 million generated for the eight months ended 30 November 2016 and our Group started to be able to take up other projects. Taking into account that (i) more and more of our resources will be released when Project A was approaching to completion and (ii) there is usually a time gap of at least 6 months between submission of tenders and the commencement of project installation works, we have adopted a relatively proactive approach in tender submission after 31 March 2016. This has been reflected in the improvement of the tender success rate since April 2016. From 1 April 2016 to 30 November 2016, we have submitted 22 tenders with a tender sum of approximately HK\$229.3 million, of which 1 tender result with tender sum of approximately HK\$130.0 million is yet to be released. Among the remaining 21 tenders submitted, we were awarded 5 tenders with aggregate tender sum of approximately HK\$36.8 million, representing a tender success rate of 23.8% in terms of the number of projects.



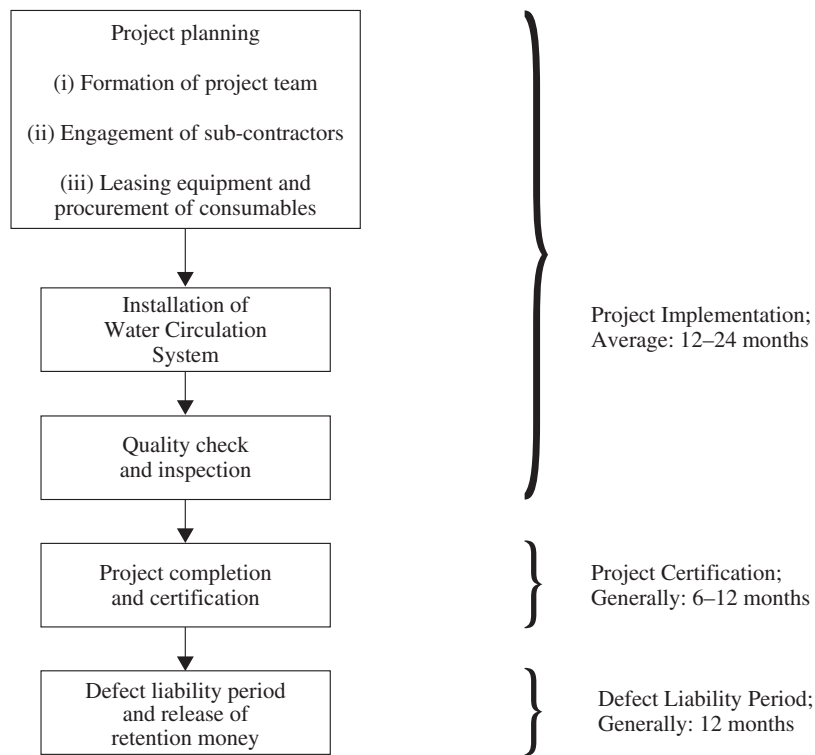
## BUSINESS

After the Track Record Period and up to the Latest Practicable Date, we have submitted 27 tenders with aggregate tender sum of approximately HK\$147.3 million and 10 tenders were awarded to us with tender sum of approximately HK\$47.2 million and 13 tender result with tender sum of approximately HK\$93.2 million is yet to be released.

### *Project implementation for management contracting services*

Once our customers confirm our engagement, we commence the implementation of the project by project planning, which includes (i) formation of project team; (ii) engagement of sub-contractors; and (iii) leasing of equipment and procurement of consumables.

The flow chart below sets out the major implementation steps of our normal operation flow of our projects:



### *Project planning*

We will formulate a detailed works plan. The works plan will include the schedule for individual tasks of the works and the key milestone dates of the project which will be closely monitored during the implementation of the project.

Our team will also prepare corresponding detailed engineering drawings for implementation, if necessary. Such drawings will be submitted to our customers for their approval before the commencement of our project works.

## BUSINESS

- *Formation of project team*

We assign a project team, which usually comprises 2–3 team members, i.e. the project manager, the assistant project manager and engineer for on-site supervision and overall coordination of the day-to-day operation of the project including resources allocation, budget monitoring, on-site liaison with our customers and overall project execution. The project managers report to our executive Directors on a weekly basis on the progress and status of the project. Our executive Directors also closely monitor the progress of the project on a continuous basis to ensure compliance with the specifications agreed with the customer and the statutory requirements.

- *Engagement of sub-contractors*

We sub-contract the installation work to sub-contractors on a project basis. As we do not have our own workers to carry out the installation works, we engage sub-contractors to provide the necessary workers to us, while we will arrange project team to supervise the works of the sub-contractors. For further details of our sub-contractors, please refer to the section headed “Business — Our sub-contractors” in this prospectus.

- *Leasing of equipment*

Most of our project works for water-related facilities require the use of equipment, such as electric scissor lift. Such equipments are usually equipped by the sub-contractor or provided by the customers, or leased by us from independent third parties on a daily basis. During the Track Record Period, we have not experienced any difficulties in equipping those equipment.

- *Procurement of consumables*

The key consumables for use in our projects typically are water pumps, filters, valves, and pipelines systems etc. All of these consumables are primarily sourced from our suppliers in Hong Kong.

We adopt a centralised procurement system in sourcing materials and obtaining quotations. We do not keep inventories of consumables and we carry out procurement on a project basis.

We usually select from our internal approved list of suppliers, which we review annually. During our review, we may remove any suppliers that fail to meet our standards and may add new suppliers to our list according to our assessment of their performance on a continuous basis.

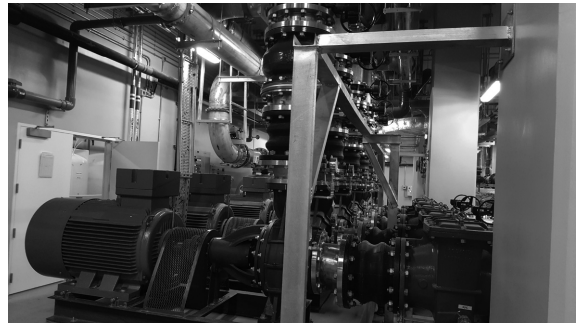
Sometimes our customers may specify the brand of consumables to be used in their projects and we shall be obliged to comply with their requirements. The samples of consumables (if possible) will be required to be submitted to our customer for approval. Upon our customer’s review and approval of the aforesaid proposal, purchase orders for consumables are then placed with our suppliers. For further details of our suppliers, please refer to the section headed “Business — Our suppliers” in this prospectus.

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### *Installation of Water Circulation Systems*

We engage sub-contractors to carry out the installation of Water Circulation Systems under the supervision of our on-site project team. Throughout the project, our project manager will review the work progress from time to time and resolve any issues identified during the course of execution.

Set out below shows part of the Water Circulation System we installed in one of our projects:



*Note:* Those consumables were procured from third party suppliers and we carried out the installation work through our sub-contractors.

Our customer may adjust part of contract works by variation orders. The variation orders may include additions, omissions, substitutions, alterations of the contract work under the original contract or specifications of consumables or a combination of the aforesaid.

Subject to the agreements entered into between our customer and us, the value of the variation order has to be agreed between our customer and us with reference to the applicable rate of works.

### *Quality check and inspection*

In the course of implementation and execution of the project, our project team carries out quality check and inspection to ensure that our services (i) meet our customer's requirements; (ii) are and will be completed within the time stipulated and comply with the budget allocated for the project; and (iii) comply with all relevant and applicable rules and regulations relating to site safety. For details of our quality control measures, please refer to the section headed "Business — Quality assurance" in this prospectus.

### *Project completion and certification for management contracting services*

Once we have completed the entire project, our customer will inspect the same and if our customer is satisfied with our works, our customer will issue a certificate of practical completion, which indicates that the contract works have been completed, tested and approved. Such certificate of practical completion may only be issued after all other works of the entire project are completed as well. Practical completion usually means (i) the works to be completed under the contract have been duly completed; (ii) there is no apparent defect; and (iii) the commencement of the defect liability period, which is usually 12 months after practical completion of works. It generally takes approximately 18–24 months from the date of practical completion for us to reach an agreement on the final account with our customers taking into account the value of our work done (including

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variation orders (if any)) and the retention monies. This is because our customers and its consultants require time to re-confirm and finalize the sum of all amount previously certified (including our Group and all other contractors involved in the entire project) and the contract sum as varied pursuant to the contract (i.e. the variation orders), taking into account our making good of the defects to our customer's satisfaction during the defect liability period.

### *Defect liability period*

Our customers would normally require a defect liability period, during which we are responsible for rectifying any defects in relation to our works done which are identified after completion. The length of defect liability period generally lasts for 12 months after practical completion of the works, depending on the nature and the scale of the project. During the Track Record Period, we have not encountered any material claims or requests from our customers during the defect liability period for rectification work due to any defects of our works.

### *Retention monies*

In general, our customers hold up retention money from the progress payment payable to us, the amount of which is equivalent to 10% of each interim progress payment. The retention monies held by our customers is capped at a maximum limit of 5% of the contract sum (including variation orders (if any)) for a project. 10% of each interim progress payment is being held as retention monies up to and until the total accumulated amount retained is equivalent to 5% of the total awarded contract sum. Such arrangement results in a loading on the early retention monies retained by our customers, allowing them to build a reserve for retention monies earlier on as warranty, in order to ensure the project is properly maintained during the defect liability period after completion. The retention money is released to us after the expiry of the defect liability period and the issue of final accounts of the project. During the Track Record Period, no retention money has been forfeited by our customers.

As at 31 March 2015 and 31 March 2016 and 30 November 2016, our retention monies receivables amounted to HK\$5.9 million, HK\$8.1 million and HK\$8.7 million, respectively. Please refer to the section headed "Financial Information — Certain items of consolidated statements of financial position — Trade and other debtors, deposits and prepayments" in this prospectus.

### ***Performance Bonds Requirements***

According to industry practice, it is common for developers and main contractors to request the contractor or sub-contractor to procure performance bonds issued by a bank or an insurance company as security for due performance and satisfactory completion of a management contracting service project. For some projects especially mega-sized projects, our Group is generally required to place a required amount of deposit to such bank or insurance company for securing the performance bond issued by the bank or the insurance company to our Group's customers on behalf of our Group as a guarantee. During the Track Record Period and up to the Latest Practicable Date, we deposited an aggregate amount of approximately HK\$1.9 million with banks and insurance companies to procure performance bonds in the aggregate amount of approximately HK\$2.5 million for eight projects with a total contract sum of approximately HK\$29.7 million. Therefore, in obtaining performance bonds of higher value and number, we will need more financial resources. If our Group fails to provide satisfactory performance to our customers to whom performance bond has been given, our customer is entitled to seek compensation

from the bank or the insurance company for the amount of financial losses incurred not exceeding the amount of the performance bond. Our Group will then become liable to compensate such bank or insurance company accordingly.

Generally, the amount of performance bond paid is directly correlated to the total contract sum for a project and the amount of performance bond required for each project would usually not exceed 10% of the tender sums. The performance bonds are normally released upon the issuance of the certificate of practical completion or upon the issue of certificate of completion of making good defects after the expiry of defect liability period. After the release of the performance bond, we usually will use the respective security deposit for other newly issued performance bond and in long run, such security deposit will remain in the restricted bank account until there is no more new performance bond issued by the Group.

Our Group would issue a performance bond only if it is required by the contract. As the execution of performance bond requires our Group to provide certain security such as cash to the bank or the insurance company, this may affect our Group's working capital.

Further, before a tender invitation is sent to our Group, the potential customer may usually consider their internal eligibility requirements, which our Directors understand that the same include inter alia, (i) value of contracts handled by us in the past; (ii) our annual turnover; (iii) our financial position (whether we are strong enough to support the operating cash for completing the project); (iv) number and qualification of our technical staff; and (v) registration with relevant authorities in Hong Kong and Macau.

#### ***Working Capital and Cost Management***

For our management contracting services, we normally incur cash outflow at the early stage for procurement of consumables and engagement of sub-contractors for carrying out our work. Generally, we do not request for deposit from our customers. Our customers will pay progress payment after our work commence and such works and payments are certified by our customers or their consultants. In light of the aforesaid, there are often time differences between making payments to our suppliers and sub-contractors and receiving payments from our customers, resulting in possible cashflow mismatch. We generally do not have the issue of cash flow mismatch for our consultancy services and maintenance services. For further details, please refer to the section headed "Financial Information" in this prospectus.

To manage our cash position in view of such possible cash flow mismatch associated with undertaking contract works, we have adopted the following measures:

##### *With respect to cash outflow*

- (a) Before undertaking each new project, our executive Directors, whose experience and qualifications are disclosed in the section headed "Directors and Senior Management" in this prospectus, will prepare an analysis of the forecast amount and timing of cash inflows and outflows in relation to a project as well as our other cash requirements associated with our on-going projects and our overall business operations so as to ensure the sufficiency of our financial resources;

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- (b) Our project manager and Finance and Accounting Department will also be responsible for the overall monitoring of our current and expected cash requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet the cash requirements of our Group as a whole;
- (c) We control the cost of consumables by monitoring such usage against the stage of completion of the works on a weekly basis, taking into account the costs as set out in the contracts and the budgets. Special approval is required from the management of our Group when the actual costs for procuring consumables has reached 80% of the original budget; and
- (d) We endeavour to bargain for a longer credit period from our suppliers to minimize the time gap between the payments required for procurement of consumable and receipt of progress payment.

### *With respect to cash inflow*

- (a) Generally, for our management contracting services, we charge our customers with reference to the work progress of the project. With respect to those projects which are in progress, we will usually submit a payment application to our customers each month, setting out the progress of work and the amount payable by our customers. To manage our cashflow, we submit our payment application in a timely manner and keep monitoring the progress for approval of such payment application. We monitor our collection status of our services fee on a continuous basis. If the credit period for the payment expires and we still have not received the relevant payment within reasonable time, our staff will remind our customers to pay the same. If we still do not receive the payment, our executive Directors and senior management will follow up the same with our customers;
- (b) We obtain committed lines of funding from banks to ensure that we are able to settle the payments with our suppliers and sub-contractors. As at the Latest Practicable Date, we have obtained banking facilities of approximately HK\$20.3 million from commercial banks. Such bank borrowing allows us to meet the working capital requirements for our on-going projects. As at the Latest Practicable Date, the unutilised amount of the banking facilities amounted to HK\$0.6 million. Our Directors expect the Listing will enhance our cashflows and provide us with the flexibility in managing our cash positions among multiple projects simultaneously. The Listing will also provide our Group with the platform to the access to the Hong Kong equity market and further raise fund in the future to support our business.

In light of the above measures, our Directors believe that we can minimise the risks of possible cashflow mismatch and cost overrun associated with projects undertaken by us and have sufficient working capital and financial resources to pay the fees of the suppliers and sub-contractors and other operation costs.

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### *Number of on-going and completed projects*

The following table sets out the number of projects, with breakdown of type of services, with revenue contribution for the years/periods indicated:

	Year ended 31 March						Eight months ended 30 November					
	2015		2016		2015		2015		2016			
	Number of projects	HK\$'000	Number of projects	HK\$'000	Number of projects	HK\$'000	Number of projects	HK\$'000	Number of projects	HK\$'000		
			%			%			%		%	
	(Unaudited)											
Management contracting services	23	53,114	92.9	22	89,823	98.8	16	53,928	98.2	15	64,892	96.5
Consultancy services	8	3,963	7.0	2	1,017	1.1	2	940	1.7	4	2,279	3.4
Maintenance services	1	76	0.1	1	65	0.1	1	43	0.1	1	67	0.1
	<u>32</u>	<u>57,153</u>	<u>100.0</u>	<u>25</u>	<u>90,905</u>	<u>100.0</u>	<u>19</u>	<u>54,911</u>	<u>100.0</u>	<u>20</u>	<u>67,238</u>	<u>100.0</u>

The table below sets out the details of the movements of our Group's number of on-going and completed projects for management contracting services for the years/periods indicated:

	Year ended 31 March						Eight months ended 30 November					
	2015		2016		2015		2015		2016			
	Number of projects	Contract sum	Outstanding contract sum	Number of projects	Contract sum	Outstanding contract sum	Number of projects	Contract sum	Outstanding contract sum	Number of projects		Contract sum
		(Note 1)			(Note 1)			(Note 1)		(Note 1)		
		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000
	(Unaudited)											
Opening on-going projects	15	63,032	8,383	14	101,510	11,845	14	101,510	30,173	13	112,208	27,902
New projects awarded	8	59,029	44,478	8	57,471	46,698	6	51,811	50,080	5 <sup>(Note 2)</sup>	36,809	26,450
Projects completed	9	20,551	—	9	46,773	—	3	3,357	—	1	2,459	—
Projects terminated	—	—	—	—	—	—	—	—	—	2 <sup>(Note 3)</sup>	10,157	—
Closing on-going projects	<u>14</u>	<u>101,510</u>	<u>52,861</u>	<u>13</u>	<u>112,208</u>	<u>58,543</u>	<u>17</u>	<u>149,964</u>	<u>80,253</u>	<u>15</u>	<u>136,401</u>	<u>54,352</u>

#### *Notes:*

- The contract sum is based on the initial agreement between our Group and our customer and may not include additions, omissions, substitutions, alteration of scope of work or specifications of consumables due to subsequent variation orders. Therefore, final revenue recognised from a contract may differ from the initial contract sum.
- One out of the five new projects awarded did not contribute any revenue during the period as the respective project works were not yet commenced as at 30 November 2016.
- There has been some disagreements between us and the customer of these projects, namely Customer F. By two letters respectively dated 22 June 2016 and 17 November 2016, Customer F gave notice to us to terminate the contracts. For details, please refer to section headed "Business — Major customers" in this prospectus.

As at 31 March 2015 and 2016 and 30 November 2016,

- the outstanding contract sum for management contracting services was approximately HK\$52.9 million, HK\$58.5 million and HK\$54.4 million respectively; and
- we had 14, 13 and 15 on-going projects respectively.

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For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we completed 9, 9 and 1 projects with a total contract sum of approximately HK\$20.6 million, HK\$46.8 million and HK\$2.4 million respectively.

After the Track Record Period and up to the Latest Practicable Date, we had 21 on-going projects, the expected contribution of which are as follows:

	<b>For the year ended/ending</b>		
	<b>31 March</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Outstanding contract sum expected to be recognised	36,723	45,897	16,943
Variation orders expected to be recognised	<u>5,372</u>	<u>2,415</u>	<u>—</u>
	<u><u>42,095</u></u>	<u><u>48,312</u></u>	<u><u>16,943</u></u>

Set out below is the breakdown of the number of projects for management contracting services with contracts entered into for the years/periods indicated by range of contract sum:

	<b>Year ended 31 March</b>		<b>Eight months ended</b>	
	<b>30 November</b>		<b>2016</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
HK\$10 million or above	2	1	1	2
HK\$5 million to below HK\$10 million	—	1	1	—
HK\$1 million to below HK\$5 million	4	5	3	3
Below HK\$1 million	<u>2</u>	<u>1</u>	<u>1</u>	<u>—</u>
	<u><u>8</u></u>	<u><u>8</u></u>	<u><u>6</u></u>	<u><u>5</u></u>



## BUSINESS

The following table sets out our top five projects for management contracting services with the highest revenue contribution to our Group for the year ended 31 March 2015:

Rank	Project Description	Customer	Amount of revenue recognised for the year ended 31 March 2015 <i>HK\$'million</i>	% of our Group's total revenue for the year ended 31 March 2015
1	Project A	Shun Cheong	26.4	46.3%
2	A swimming pool in a private academy project in Pak Kong, Sai Kung, Hong Kong	Customer B	7.0	12.2%
3	A swimming pool in a private residence project in Lung Tin Tsuen, Yuen Long, Hong Kong	Customer B	3.9	6.8%
4	A swimming pool in a private residence project in Kau To Shan, Shatin, Hong Kong	Customer D	3.4	5.9%
5	A swimming pool in a private residence project in Lok Wo Sha, Ma On Shan, Hong Kong	Customer C	1.9	3.4%

## BUSINESS

The following table sets out the top five projects with the highest revenue contribution to our Group for the year ended 31 March 2016:

Rank	Project Description	Customer	Amount of revenue recognised for the year ended 31 March 2016 <i>HK\$' million</i>	% of our Group's total revenue for the year ended 31 March 2016
1	Project A	Shun Cheong	64.5	71.0%
2	A public swimming pool in Kennedy Town, Hong Kong	Customer F	4.2	4.6%
3	A swimming pool in a private residence project in Kau To Shan, Shatin, Hong Kong	Customer D	4.0	4.4%
4	A swimming pool in a private residence project in Tin Hau, Hong Kong	Customer B	2.9	3.2%
5	A swimming pool in a private academy project in Pak Kong, Sai Kung, Hong Kong	Customer B	2.3	2.5%

## BUSINESS

The following table sets out the top five projects with the highest revenue contribution to our Group for the eight months ended 30 November 2016:

<b>Rank</b>	<b>Project Description</b>	<b>Customer</b>	<b>Amount of revenue recognised for the eight months ended 30 November 2016 <i>HK\$' million</i></b>	<b>% of our Group's total revenue for the eight months ended 30 November 2016</b>
1	Project A	Shun Cheong	16.5	24.6%
2	Water fountain and swimming pool in a hotel, casino, shopping and recreation complex in Macau	Shun Cheong	10.3	15.3%
3	Water-related facility in a private residence project in Western District, Hong Kong	Shun Cheong	10.0	14.9%
4	A swimming pool in a private residence project in So Kwun Wat, Tuen Mun, Hong Kong	Customer G	8.7	12.9%
5	A public swimming pool in Kennedy Town, Hong Kong	Customer F	5.2	7.7%

## BUSINESS

### *Summary of our projects*

In respect of mega-sized projects, we submitted tenders on our own for two completed projects, namely (i) a swimming pool in a private academy project in Pak Kong, Sai Kung, Hong Kong (numbered 1 of completed projects below) and (ii) a swimming pool in a private residence project in So Kwun Wat, Tuen Mun, Hong Kong (numbered 22 of completed projects below). Tenders for the remaining mega-sized projects were submitted by our Group as a sub-contractor. Below are brief details of our projects relating to the design, procurement and installation of the Water Circulation System for management contracting services during the Track Record Period and up to the Latest Practicable Date:

Project	Year of engagement	Capacity of the party engaging us <i>(Note 13)</i>	Contract Sum <i>(Note 1)</i> <i>HK\$ million</i>	Accumulated revenue recognised during Track Record Period	Revenue expected to be recognised for the year ended/ending 31 March			Commencement Date/Estimated commencement date	Completion date/Estimated completion date	
					2017	2018	2019			
<b>On-going Projects</b>										
1	Project A	2014	Sub-contractor	36.5 <i>(Note 5)</i>	107.5	0.3	—	—	June 2014	June 2017
2	A water fountain and swimming pools in a hotel, casino, shopping and recreation complex in Macau	2016	Sub-contractor	35.5 <i>(Note 3)</i>	11.3	22.2	4.7	—	September 2015	August 2017
3	A swimming pool in a private residence project in So Kwun Wat, Tuen Mun, Hong Kong	2015	Main-contractor	3.2	1.5	1.7	—	—	November 2015	June 2017
4	A swimming pool in a private residence project in Long Ping, Yuen Long, Hong Kong	2015	Developer	2.3	1.3	0.7	0.3	—	December 2015	August 2017
5	A swimming pool in a private residence project in Tai Kok Tsui, Kowloon, Hong Kong	2015	Developer	2.0	1.2	0.6	0.2	—	November 2015	August 2017
6	A swimming pool in a private residence project in Tai Hang, Hong Kong	2015	Developer	0.9	0.7	0.1	0.1	—	January 2015	June 2017
7	A swimming pool in a private residence project in Kai Tak, Kowloon, Hong Kong	2016	Developer	2.2	0.2	0.6	1.4	—	June 2016	August 2017
8	A swimming pool in a private residence project in Robinson Road, Hong Kong	2016	Developer	2.1	—	0.6	1.5	—	June 2016	August 2017

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Project	Year of engagement	Capacity of the party engaging us (Note 13)	Contract Sum (Note 1) HK\$ million	Accumulated revenue recognised during Track Record Period	Revenue expected to be recognised for the year ended/ending 31 March			Commencement Date/Estimated commencement date	Completion date/Estimated completion date	
					2017	2018	2019			
9	A swimming pool in a private residence project in Jardine's Lookout, Hong Kong	2016	Developer	1.6	0.2	0.3	1.1	—	August 2016	October 2017
10	A water-related facility in a private residence project in Western District, Hong Kong	2016	Sub-contractor	20.0	10.0	5.6	4.1	0.3	October 2016	April 2018
11	A water-related facility in a private residence project in Western District, Hong Kong	2016	Sub-contractor	11.0	—	4.8	5.7	0.5	October 2016	April 2018
12	A water-related facility in a hotel project in Wanchai District, Hong Kong	2016	Developer	3.4	—	—	3.4	—	April 2017	March 2018
13	A water-related facility in a private residence project in North District, Hong Kong	2016	Sub-contractor	3.0	—	—	3.0	—	April 2017	March 2018
14	A swimming pool in a private residence project in Sai Kung, Hong Kong	2017	Developer	1.5	—	—	1.5	—	March 2017	February 2018
15	A water-related facility in a private commercial project in Kowloon Bay, Hong Kong	2017	Main contractor	0.8	—	—	0.8	—	April 2017	December 2017
16	A swimming pool in a private residence project in Tai Kok Tsui, Hong Kong	2017	Developer	1.3	—	—	1.1	0.2	June 2017	May 2018
17	A swimming pool in a private residence project in Tuen Mun, Hong Kong	2017	Sub-contractor	1.8	—	—	1.5	0.3	June 2017	May 2018
18	A swimming pool in a private residence project in Southern District, Hong Kong	2017	Sub-contractor	2.1	—	—	1.8	0.3	June 2017	May 2018
19	A swimming pool in a Golf Club in Fanling, Hong Kong	2017	Developer	6.9	—	—	3.8	3.1	June 2017	November 2018
20	A swimming pool in a private residence project in Mid-Levels, Hong Kong	2017	Sub-contractor	3.1	—	—	2.6	0.5	June 2017	May 2018

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Project	Year of engagement	Capacity of the party engaging us <i>(Note 13)</i>	Contract Sum <i>(Note 1)</i> HK\$ million	Accumulated revenue recognised during Track Record Period	Revenue expected to be recognised for the year ended/ending 31 March			Commencement Date/Estimated commencement date	Completion date/Estimated completion date	
					2017	2018	2019			
21	A water-related facility in a private residence project in Tseung Kwan O, Hong Kong	2017	Sub-contractor	23.4	—	—	9.7	11.7	June 2017	May 2019
<b>Completed Projects</b>										
1	A swimming pool in a private academy project in Pak Kong, Sai Kung, Hong Kong	2013	Developer	18.6 <i>(Notes 2 &amp; 4)</i>	10.5 <i>(Note 7)</i>	—	—	—	March 2013	March 2016
2	A swimming pool in a private residence project in Lung Tin Tsuen, Yuen Long, Hong Kong	2013	Developer	9.7 <i>(Note 2)</i>	4.9 <i>(Note 8)</i>	—	—	—	May 2013	February 2016
3	A swimming pool in a private residence project in Kau To Shan, Shatin, Hong Kong	2013	Main contractor	7.0 <i>(Note 3)</i>	7.7	0.6 <i>(Note 9)</i>	—	—	November 2013	December 2015
4	A swimming pool in a private residence project in Tai Tong, Yuen Long, Hong Kong	2012	Developer	3.8 <i>(Note 2)</i>	1.4	—	—	—	October 2012	December 2014
5	A swimming pool in a private residence project in Nape, Macau	2012	Developer	3.5 <i>(Note 2)</i>	2.1	—	—	—	November 2012	December 2014
6	A swimming pool in a private residence project in Ma On Shan, Hong Kong	2014	Developer	3.5 <i>(Note 3)</i>	4.0 <i>(Note 10)</i>	—	—	—	January 2014	February 2016
7	A swimming pool in a private residence project in Ma On Shan, Hong Kong	2013	Developer	3.3 <i>(Note 2)</i>	0.4	—	—	—	July 2013	February 2015
8	A swimming pool in a private residence project in Lin Tong Mei, New Territories, Hong Kong	2010	Developer	3.0 <i>(Note 2)</i>	1.1	—	—	—	December 2010	December 2014
9	A swimming pool in a private residence project in Quarry Bay, Hong Kong	2011	Main-contractor	2.8 <i>(Note 2)</i>	0.8	—	—	—	December 2011	July 2014

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Project	Year of engagement	Capacity of the party engaging us <i>(Note 13)</i>	Contract Sum <i>(Note 1)</i> <i>HK\$ million</i>	Accumulated revenue recognised during Track Record Period	Revenue expected to be recognised for the year ended/ending 31 March			Commencement Date/Estimated commencement date	Completion date/Estimated completion date
					2017	2018	2019		
10 A swimming pool in a private residence project in Tai Tao Tsuen, Yuen Long, Hong Kong	2013	Developer	2.4 <i>(Note 2)</i>	0.6	—	—	—	January 2013	April 2014
11 A swimming pool in a private residence project in Kadoorie Road, Kowloon, Hong Kong	2014	Developer	2.3	2.3	—	—	—	December 2014	December 2015
12 A swimming pool in a private residence project in Macdonnell Road, Hong Kong	2011	Developer	1.8 <i>(Note 2)</i>	0.1	—	—	—	August 2011	June 2014
13 A swimming pool in a private residence project in Tin Hau, Hong Kong	2014	Developer	1.3	1.3	—	—	—	January 2014	September 2015
14 A swimming pool in a private residence project in Nape, Macau	2015	Developer	1.3	1.3	—	—	—	January 2015	September 2015
15 A swimming pool in a private residence project in Grampian Road, Kowloon, Hong Kong	2011	Developer	1.0 <i>(Note 2)</i>	0.1	—	—	—	February 2011	May 2014
16 A swimming pool in a private residence project in Lung Kwu Tan, Tuen Mun, Hong Kong	2013	Main contractor	0.9 <i>(Note 2)</i>	0.2	—	—	—	July 2013	June 2014
17 A swimming pool in a private residence project in Boundary Street, Kowloon, Hong Kong	2014	Developer	0.8	0.8	—	—	—	May 2014	June 2015
18 A swimming pool in a private residence project in Tai Po Road, Hong Kong	2014	Developer	0.3	0.3	—	—	—	March 2014	March 2015
19 A swimming pool in a private residence project in Kennedy Road, Hong Kong	2014	Developer	2.4 <i>(Notes 2 &amp; 4)</i>	0.8	—	—	—	April 2014	July 2016
20 A swimming pool in a private residence project in Ma On Shan, Hong Kong	2015	Developer	0.9	0.9	—	—	—	September 2015	December 2016

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Project	Year of engagement	Capacity of the party engaging us (Note 13)	Contract Sum (Note 1) HK\$ million	Accumulated revenue recognised during Track Record Period	Revenue expected to be recognised for the year ended/ending 31 March			Commencement Date/Estimated commencement date	Completion date/Estimated completion date	
					2017	2018	2019			
21	A water fountain and swimming pools in a hotel, casino, shopping and recreation complex in Avenida Dr. Sun Yat Sen, Macau	2016	Developer	3.4 (Note 3)	5.4	2.3	—	—	January 2016	December 2016
22	A swimming pool in a private residence project in So Kwun Wat, Tuen Mun, Hong Kong	2015	Main contractor	10.4 (Note 3)	10.6	1.5	—	—	February 2015	March 2017
23	A swimming pool in a private residence project in Tin Hau, Hong Kong	2014	Developer	4.6 (Note 3)	5.4	0.2	—	—	April 2014	March 2017
<b>Terminated Projects</b>										
1	A public swimming pool in Kennedy Town, Hong Kong	2015	Sub-contractor	7.2 (Note 3)	9.4 (Note 6)	—	—	—	October 2015	June 2016
2	A swimming pool in a private residence project in Sham Shui Po, Kowloon, Hong Kong	2015	Sub-contractor	3.0	1.5 (Note 11)	—	—	—	September 2015	November 2016
				263.8	207.8	42.1	48.3	16.9		

*Notes:*

1. The contract sum is based on the initial agreement entered into between our Group and customers and may not include omissions, substitutions, alteration of scope of work or specifications of consumables due to subsequent variation orders. Therefore, final revenue recognised from a contract may differ from the contract sum.
2. The contract sum is greater than the accumulated revenue recognised during the Track Record Period because a portion of the revenue has been recognised before the Track Record Period.
3. The contract sum is lower than the amount of revenue recognised or to be recognised because of the additional variation orders placed by our customer, or the actual amount of work done under the contract is higher than initially envisaged under the contract.
4. The contract sum is greater than the amount of revenue recognised because the actual amount of work done under the contract is lower than initially envisaged under the contract.
5. The nature of work performed by our Group in Project A was related to the design, procurement and installation of the Water Circulation System for a lake and swimming pools in a hotel, casino, shopping and recreation complex in Coloane-Taipa, Macau. The revenue generated from the variation orders exceeded the original contract sum due to the additional variation orders placed by Shun Cheong. These include omissions, substitutions, alteration of scope of work or specifications of consumables, such as the upgrade of filtration turnover rate, change of specification of the



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sand filter, additional scope of work for crystal fountain leaper, etc. Therefore, final revenue recognised from a contract was different from the contract sum as the actual amount of work done under the contract with Shun Cheong is higher than initially envisaged under the contract. Our Directors understand that the project owner and/or main contractor of Project A also give variation orders to other sub-contractors as well. Our Directors believe that, as compared with the total amount of investment made by the project owner in Project A, the additional sum involved due to additional variation orders is minimal.

6. There has been some disagreement between us and the customer of this project, namely Customer F. By a letter dated 22 June 2016, Customer F gave notice to us to terminate the contract. Upon considering the non-cooperation of Customer F, which rendered us unable to complete the work and low amount of certified payment, we terminated the contract with Customer F on 23 June 2016. For details, please refer to the section headed “Business — Major customers” in this prospectus. Based on the advice of the legal adviser of our Company in this matter, on the assumption that the project costs are accurate and reasonable, and subject to deductions for defects (if any), the minimum amount at which our Group is entitled to is the project costs incurred less the sum(s) that we have already received from Customer F. Consistent with the accounting policy of our Group, approximately HK\$9.4 million, being the incurred total costs in connection with the project during the Track Record Period, was the revenue expected to be recognised for the project during the Track Record Period.
7. The project was completed in March 2016. However, at the relevant time, our Group was in the process of negotiating the variation works performed by our Group during the finalization of the final amount of such project. Following a prolonged negotiation, our customer has agreed to the variation works performed by our Group of approximately HK\$1.3 million. Accordingly, our Group recognised such revenue of approximately HK\$1.3 million for the eight months ended 30 November 2016. Given that there were uncertainties for (i) the outcome of the negotiation; and (ii) the value of the variation work could not be estimated reliably at the relevant time, such amount was not recognised in prior periods.
8. The project was completed in February 2016. However, at the relevant time, our Group was in the process of negotiating the variation works performed by our Group during the finalisation of the final amount of such project. Following a prolonged negotiation, our customer has agreed to the variation works performed by our Group of approximately HK\$0.9 million. Accordingly, our Group recognised such revenue of approximately HK\$0.9 million for the eight months ended 30 November 2016. Given that there were uncertainties for (i) the outcome of the negotiation; and (ii) the value of the variation work could not be estimated reliably at the relevant time, such amount was not recognised in prior periods.
9. The project was completed in December 2015. However, our Group received extra variation orders of approximately HK\$0.9 million subsequent to the completion of the project, of which approximately HK\$0.3 million was recognised during the eight months ended 30 November 2016 and the remaining sum of approximately HK\$0.6 million is expected to be recognised for the four months ended 31 March 2017.
10. The project was completed in February 2016. However, at the relevant time, our Group was in the process of negotiating the variation works performed by our Group during the finalization of the final amount of such project. Following a prolonged negotiation, our customer has agreed to the variation works performed by our Group of approximately HK\$1.4 million. Accordingly, our Group recognised such revenue of approximately HK\$1.4 million for the eight months ended 30 November 2016. Given that there were uncertainties for (i) the outcome of the negotiation; and (ii) the value of the variation work could not be estimated reliably at the relevant time, such amount was not recognised in prior periods.
11. There has been some disagreements between us and the customer of this project, namely Customer F. By a letter dated 17 November 2016, Customer F gave notice to us to terminate the contract. Having considered the nil certified payment in spite of our work already done, we served notice to accept the repudiation on 24 November 2016. For details, please refer to the section headed “Business — Major customers” in this prospectus. Based on the advice of the legal adviser of our Company in this matter, our Group is entitled to the projects costs incurred less the sum(s) we have already received from Customer F. Consistent with the accounting policy of our Group, approximately HK\$1.5 million, being the incurred total costs in connection with the project during the Track Record Period, was the revenue expected to be recognised for the project during the Track Record Period.
12. During the Track Record Period and up to the Latest Practicable Date, according to our Directors’ best knowledge and belief, no other parties and/or sub-contractors participated in the same capacity as our Group in those projects undertaken by us in relation to the design, procurement and installation services of the Water Circulation System.

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13. During the Track Record Period and up to the Latest Practicable Date, we were engaged as a sub-contractor for all projects, regardless of our engagement with the developer, the main contractor or the sub-contractors of the relevant projects.

### **Our Consultancy Services**

Apart from the management contracting services, we also provided certain consultancy services, which mainly included design of Water Circulation System.

Our consultancy services is project-based.

We provided certain consultancy services, such as design and tender drawings services to our customers. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our revenue derived from provision of consultancy services were approximately HK\$4.0 million, HK\$1.0 million and HK\$2.3 million respectively, representing approximately 7.0%, 1.1% and 3.4% of our total revenue during the same periods respectively.

Save and except one project in Hong Kong with contract sum of approximately HK\$0.1 million during the year ended 31 March 2015 and two projects in Hong Kong with total contract sum of approximately HK\$1.7 million during the eight months ended 30 November 2016, all other projects in which we provided consultancy services during the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 were related to hotel, casino, shopping and recreation complex in Macau. As at the Latest Practicable Date, we had no on-going project for our consultancy services.

Our business of consultancy services was not secured through tendering process. Our customers directly send request for fee quotations of our consultancy services to our Group. We generally do not request for deposit from our customers and our customers will settle our consultancy fees in one lump sum when consultancy services are rendered to our customers upon the delivery of the design work.

### **Maintenance Services**

We provided maintenance services of the water curtain structure in one residential development in Hong Kong during the Track Record Period and up to the Latest Practicable Date. The said water curtain structure was installed by us and the customer continued to engage us to provide maintenance services of the same after completion. Such maintenance services include maintenance of a water curtain and replacement of parts and components whenever necessary. We did not provide any maintenance service in Macau during the Track Record Period. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our revenue derived from provision of maintenance services were approximately HK\$76,000, HK\$65,000 and HK\$67,000 respectively, representing approximately 0.1% of our total revenue during the same periods respectively.

We charge our customers for our maintenance services on a monthly basis and additional fees are charged for replacement of parts.

## **OUR CUSTOMERS**

During the Track Record Period, our customers for our management contracting services are mainly property developers, main contractors and sub-contractors. Our top five customers during the Track Record Period have relationships with our Group from 1 year to 7 years. Our revenue is typically derived from projects which are non-recurring in nature. We generate new business through the tendering process.

Generally, for our management contracting services, we charge our customers with reference to the work progress of the project. With respect to those projects which are in progress, we will usually submit a payment application to our customers each month, setting out the progress of work and the amount payable by the customers. It usually takes around 1–2 months for the relevant customer or its consultant to review and endorse the payment application. For each progress payment, after the customer or its consultant reviews and endorses such payment application, we will issue the invoice and it will generally take another 1 month to settle the payment. Therefore, it usually takes an aggregate of around 2–3 months for our Group to receive the payments after a payment application has been submitted. During the Track Record Period and up to the Latest Practicable Date, save as the disagreements between us and Customer F as disclosed in the section headed “Business — Major customers” in this prospectus, we did not experience any material disputes with our customers on the progress of work and amount of progress payment of the project which has material financial impact on our Group.

For the final payment, which usually only represents an insignificant portion of our contract sum, our Group will need to wait for the issue of the certificate of practical completion and the final accounts of the project before we can receive the same. It usually takes around 18–24 months for our Group to receive the final payments after the certificate of practical completion has been issued.

During the Track Record Period, our customers mainly settled payments with us in HKD and MOP by cheques and bank remittances. In general, our customers retain 10% of each progress payment and up to a maximum limit of 5% of the contract sum (subject to variation orders) as retention money for a project. The retention money withheld is normally released to us after the expiry of the defect liability period and the issuance of final accounts of the project.

With respect to our consultancy services, our customers are mainly sub-contractors of water-related facilities and our fees are charged when the relevant services are rendered and we offer our customers a credit period of 30 days from the date of receipt of the invoice.

With respect to our maintenance services, the customer is our former customer for another project. Our fees are charged on a monthly basis and we offer our customer a credit period of 30 days from the date of receipt of the invoice.

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### Major terms of our agreements with our customers for management contracting services

Given the non-recurring nature of our project, we have not entered into long-term agreements with our customers.

Once we are successful in bidding for a tender, we will proceed to negotiate and enter into contract with the relevant customer, setting out, inter alia, the scope of contract works and other terms of the engagement. The agreements with our customers generally include the following major terms:

- our Group shall carry out, complete and maintain the contract works in such manner, order and sequence as reasonably directed and requested by the customer;
- the price of the works or the method of determination of the same and the retention monies requirement are set out in the agreement;
- if our customer issues any instructions to our Group relating to variation of the works, our Group shall comply the same. The value of authorised variations shall be agreed between our customer and us with reference to the applicable rate of works;
- our Group shall complete the contract works and each part thereof (if applicable) within the stipulated period. If the rate of the progress of contract works is at any time in the opinion of our customer too slow to ensure completion by the time stipulated or any extended time, our customer may so notify our Group in writing. Our Group shall thereupon take such steps as are necessary and as the customer may approve to expedite progress so as to complete the contract works or any part thereof by the prescribed time or extended time;
- our Group shall deploy supervisory personnel of an appropriate number, seniority and background with authority to receive instructions on behalf of our Group and, unless otherwise agreed with our customer, provide all workers, services, materials, plant, equipment and tools, for the execution, completion and maintenance of the contract works;
- our Group shall be liable for liquidated damages for any significant delay in completion of works;
- our Group shall indemnify our customer against all losses, damages, costs and expenses incurred by the customer to the extent that the same arise by reason of any breach or non-compliance of the agreement by our Group;
- property rights in all materials forming part of the contract works shall pass from our Group to the customer when the same are paid for by our customer; or upon delivery to the site, whichever is the earliest;
- all risks in the contract works or parts thereof shall remain with our Group until our customer certifies the practical completion of the contract works; and

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- if our Group shall make default in any of the following: (i) if without reasonable cause, our Group wholly suspends our works before completion; (ii) if our Group fails to proceed regularly and diligently with our works; or (iii) if our Group refuses or persistently neglects after notice from our customer to remove defective work or improper material, then if such default shall continue for certain period after a notice is given, our customer may terminate our engagement.

During the Track Record Period and up to the Latest Practicable Date, no liquidated damages of material nature had been claimed by our customers against us.

### **Major customers**

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016:

- the aggregate revenue attributable to our five largest customers amounted to approximately HK\$49.8 million, HK\$82.9 million and HK\$62.0 million respectively, representing approximately 87.2%, 91.1% and 92.3% of our total revenue for the corresponding period respectively; and
- the aggregate revenue attributable to our largest customer amounted to approximately HK\$26.4 million, HK\$65.4 million and HK\$38.5 million respectively, representing approximately 46.3%, 71.9% and 57.3% of our total revenue for the corresponding period respectively.

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Set out below are the details of our major customers during the Track Record Period:

Customers	Background	Revenue (HK\$'000)	Percentage of our total revenue (%)	No. of projects undertaken by us during the year/ period	Years of business relationship with us as at the Latest Practicable Date
<b>For the year ended 31 March 2015</b>					
Shun Cheong	A subsidiary of Chinney Alliance, a company listed on the Main Board of the Stock Exchange. Shun Cheong is principally engaged in design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure.	26,435	46.3	1	3
Customer B	A group of subsidiaries of a leading property developer in Hong Kong listed on the Main Board of the Stock Exchange. Customer B is principally engaged in building construction, infrastructure and engineering services.	12,556	22.0	5	6
Customer C	A group of subsidiaries of a leading property developer in Hong Kong listed on the Main Board of the Stock Exchange. Customer C is principally engaged in property development, property investment, construction, infrastructure, building contractors and properties management.	4,668	8.2	7	5
Customer D	A group of subsidiaries of a construction company in Hong Kong listed on the Main Board of the Stock Exchange. Customer D is principally engaged in building construction and building and general contractors. Customer D was instructed by the property developer and/or its consultant to engage us as the nominated subcontractor to provide the management contracting services.	4,194	7.3	2	5
Customer E	A private company in Hong Kong principally engaged in provision of design, consultancy services and supply of materials for construction.	1,930	3.4	1	4

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Customers	Background	Revenue (HK\$'000)	Percentage of our total revenue (%)	No. of projects undertaken by us during the year/ period	Years of business relationship with us as at the Latest Practicable Date
<b>For the year ended 31 March 2016</b>					
Shun Cheong	A subsidiary of Chinney Alliance. Shun Cheong is principally engaged in design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure.	65,393	71.9	2	3
Customer B	A group of subsidiaries of a leading property developer in Hong Kong listed on the Main Board of the Stock Exchange. Customer B is principally engaged in building construction, infrastructure and engineering services.	5,606	6.2	5	6
Customer F	A subsidiary of a conglomerate listed on the Main Market of the London Stock Exchange. Customer F is principally engaged in engineering and contractor services.	5,208	5.7	3	4
Customer D	A group of subsidiaries of a construction company in Hong Kong listed on the Main Board of the Stock Exchange. Customer D is principally engaged in building construction and building and general contractors. Customer D was instructed by the property developer and/or its consultant to engage us as the nominated subcontractor to provide the management contracting services.	4,041	4.4	1	5
Customer C	A group of subsidiaries of a leading property developer in Hong Kong listed on the Main Board of the Stock Exchange. Customer C is principally engaged in property development, property investment, construction, infrastructure, building contractors and properties management.	2,671	2.9	4	5

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Customers	Background	Revenue (HK\$'000)	Percentage of our total revenue (%)	No. of projects undertaken by us during the year/ period	Years of business relationship with us as at the Latest Practicable Date
<b>For the eight months ended 30 November 2016</b>					
Shun Cheong	A subsidiary of Chinney Alliance. Shun Cheong is principally engaged in design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure.	38,496	57.3	4	3
Customer G	A group of subsidiaries of a construction company in Hong Kong listed on the Main Board of the Stock Exchange. Customer G is principally engaged in building construction and project management.	9,655	14.4	2	7
Customer F	A subsidiary of a conglomerate listed on the Main Market of the London Stock Exchange. Customer F is principally engaged in engineering and contractor services.	5,733	8.5	2	4
Customer B	A group of subsidiaries of a leading property developer in Hong Kong listed on the Main Board of the Stock Exchange. Customer B is principally engaged in building construction, infrastructure and engineering services.	4,080	6.1	2	6
Customer H	A private company in Macau principally engaged in building construction.	4,065	6.0	1	1

We offer our customers a credit period of 30 days from the date of receipt of our invoice.

During the Track Record Period and up to the Latest Practicable Date, there were four projects for swimming pools undertaken by us for Customer F, two of which with aggregate contract sum of approximately HK\$1.7 million were completed during the year ended 31 March 2015 and 2016. Save for the retention receivable of approximately HK\$0.1 million which is expected to be released to us after the expiry of the defect liability period in March 2017, all the progress payments in respect of the aforesaid two completed projects with Customer F have been paid to us during the Track Record Period. However, in respect of the remaining two uncompleted projects for swimming pools undertaken by us for Customer F during the Track Record Period, there have been some disagreements between us and the customer.

### *First Project*

The first project which disagreement has arisen is located at Kennedy Town and involves a contract sum of approximately HK\$7.2 million and variation orders of approximately HK\$5.0 million. The project involved provision of certain materials, tools and machinery by the customer to us for implementing and completing the installation of Water Circulation System. We have incurred a total cost of approximately HK\$4.2 million, HK\$5.2 million and nil in connection with the project for the year ended 31 March 2016, the eight months ended 30 November 2016 and the period after the Track Record



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Period and up to the Latest Practicable Date respectively. As of the Latest Practicable Date, contractual payments of approximately HK\$3.5 million have been certified, out of which approximately HK\$2.0 million has already been paid to us for our progress work done.

The disagreement was related to whether we have performed our contractual duty on time and to the satisfaction of Customer F. On 30 May 2016, Customer F issued a letter to us alleging of delayed programme and serving as a final warning and made known to us that should no rectification action be taken by us within ten days thereof, Customer F would terminate the contract. Our Group did not agree with the allegation of Customer F on the basis that the progress of work was also attributable to when relevant materials and machinery could be provided by the customer to us in implementing the project. In spite of our endeavor in negotiating with Customer F and performed such additional work to try to alleviate their concern, it issued a further letter to us on 22 June 2016 to seek termination of the contract. After considering (i) the non-cooperation of Customer F, which rendered us unable to complete the work and (ii) small amount of certified payment, we issued a letter to Customer F on 23 June 2016 to terminate the contract.

### *Second Project*

The second project which disagreement has arisen is located at Sham Shui Po and involves a contract sum of approximately HK\$3.0 million. For the year ended 31 March 2016, the eight months ended 30 November 2016 and the period after the Track Record Period and up to the Latest Practicable Date, we have incurred a total cost of approximately HK\$0.7 million, HK\$0.8 million and nil in connection with the project respectively. As of the Latest Practicable Date, none of the contractual payments have been certified nor paid to us for our progress of work done.

The disagreement was related to the execution and progress of work rendered by us. In September 2016, our Group submitted payment application, which reflects our workdone so far, of approximately HK\$0.5 million to Customer F. However, Customer F did not certify the payment nor make payment according to the works done by our Group. Given the undesirable experience with Customer F in the first project and in view of the prolonged certifying process of Customer F in respect of our payment application, in October 2016, our Group proposed Customer F to partially purchase some raw materials and make direct payment partially to our workers on our behalf in the amount of approximately HK\$0.3 million, which is within our applied payment submitted in September 2016. Such arrangement was a risk management measure for the purpose of minimizing any potential loss which may be incurred by our Group resulting from the credit risk of our customer in case any disagreement similar to that in the first project happening again. On 10 November 2016, our Group received written consent from the project manager of Customer F, who had been the person in charge of the project responsible for liaising with our Company since the commencement of the project, in relation to the abovementioned request. However, without any warning, discussion or notice, on 17 November 2016, the same project manager who gave the abovementioned consent, on behalf of Customer F, issued a letter to us alleging that our Group's capability in executing the project was under their concern. The termination letter (the "Termination Letter"), which served as a termination notice for the determination of the contract between Customer F and us, also alleged that our work was delayed and the required materials were not delivered to the project site on time. In addition, without receiving any warning notice from Customer F in relation to the abovementioned allegations prior to the Termination Letter, we were unable to make any improvement in response to the allegations within 10 days as allowed according to the contract. In

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fact, our Group also did not agree with the allegations of Customer F. Having considered the nil certified payment in spite of our work already done, we served notice to accept the repudiation on 24 November 2016.

Our Directors, based on the advice of the legal adviser of our Company, took the view that the proposed terminations of contracts for the 2 projects by Customer F constituted wrongful repudiation of the relevant contracts. The allegation by Customer F against our Company for the delay in completing the contract was not factually or legally established or justified, and such allegation does not give rise to any right for Customer F to terminate the contracts. As advised by the legal adviser of our Company in this matter, on the assumption that the project costs are accurate and reasonable (in any event the burden is on Customer F to prove that the costs incurred by our Group are unreasonable, and there is no such evidence available up to the Latest Practicable Date), and subject to deductions for defects (if any), the minimum amount at which our Group is entitled to is the project costs incurred less the sum(s) that we have already received from Customer F and there would be no defence, set-off or counterclaim by Customer F.

According to the contracts, if the dispute cannot be settled within 30 days of the issuance of written notice, the dispute(s) should be resolved through arbitration at Hong Kong International Arbitration Centre. As at the Latest Practicable Date, our Group has not received any notice of arbitration from Customer F, nor did our Group issue one. Currently, our Group is actively in procuring the discussion for settlement of the disagreements aiming to recover the amount our Group is entitled to but not yet been paid.

Consistent with the accounting policy of our Group, the said incurred total cost of approximately HK\$4.2 million (of which approximately HK\$0.7 million is not certified by Customer F) and approximately HK\$5.2 million (which is not certified by Customer F) in respect of the first project under disagreement, has been recognised as revenue for the project for the year ended 31 March 2016 and the eight months ended 30 November 2016 respectively. As of the Latest Practicable Date, contractual payments of approximately HK\$3.5 million have been certified for the first project, out of which approximately HK\$2.0 million has already been paid to us for our progress work done. For the second project under disagreement, approximately HK\$0.7 million and HK\$0.8 million were incurred as the total costs in connection with the project and approximately HK\$0.9 million and HK\$0.9 million (which are not certified by Customer F) was recognised as revenue for the year ended 31 March 2016 and eight months ended 30 November 2016 respectively. In order to be consistent with the accounting policy of our Group, the project revenue for this project was recognised to the extent of project costs incurred that it is probable to be recoverable, i.e. HK\$1.5 million in total for the Track Record Period. Hence, revenue amounting to approximately HK\$0.3 million was reversed during the Track Record Period. As of the Latest Practicable Date, none of the contractual payments have been certified nor paid to us for the second project for our progress of work done. Our Directors are of the view that the aforesaid disagreement with the same customer was only isolated incident to our Group and our business and operation have not been affected in any material respect due to such incident. Save as disclosed above, our Group had no dispute with its customers which has material financial impact on our Group during the Track Record Period and up to the Latest Practicable Date.

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Save and except for the subscription by FRO Management, a company owned by segregated portfolio under Global Equity which the First Pre-IPO Investor belongs, of the convertible bond issued by Chinney Shun Cheong which is a fellow subsidiary of Shun Cheong as disclosed in the section headed “History, Reorganisation and Corporate Structure — Background of the Pre-IPO Investors” in this prospectus, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. We are not aware that our Group had experienced any major disruption of business due to material delay or default of payment by our customers due to their difficulties during the Track Record Period. Our Directors further confirmed that as far as they are aware, our major customers are not having nor had encountered any material financial difficulties that may materially affect our Group’s business.

### **Project/Customer concentration**

Our management contracting services is project-based. A mega-sized project, regardless of the identities of the customers, will occupy a substantial part of our resources and inevitably resulted in our Group not being able to deploy resources to other projects. Therefore, given the existing size of our Group, if we are engaged for a mega-sized project, it will be easy for the customer of the said project to become our largest customer during the relevant period even though we do not intend to rely on such customer. Further, given the size and complication of a mega-sized project, there may also be variation orders, which provide further revenue to the group.

The revenue recognised for Project A for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 represented approximately 46.3%, 71.0% and 24.6% of our total revenue respectively. The significant increase in our revenue by approximately 59.1% from the year ended 31 March 2015 to the year ended 31 March 2016 was primarily due to the increased number of variation orders in relation to Project A. For illustrative purpose only, the table below set out the breakdown of our Group’s revenue and profits generated from the original contract and variation orders for Project A during the Track Record Period and up to the Latest Practicable Date:

	<b>Year ended 31 March</b>		<b>Eight months ended 30 November 2016</b>	<b>From 1 December 2016 to Latest Practicable Date</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>Date</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>Revenue</b>				
Original contract	10,671	24,659	765	—
Variation orders	15,764	39,871	15,779	312
<b>Profit (Note)</b>				
Original contract	3,086	7,131	222	—
Variation orders	5,576	16,107	5,962	27

*Note:* The unallocated costs including staff costs and others were excluded from the calculation of profit as it cannot be allocated to each of the work involved reliably.

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The issue of concentration of a specific customer at any specific point of time is purely caused by (i) the project-based nature of the business of our Group, (ii) the lengthy execution period of each project which led to a longer revenue recognition period for our Group, (iii) the existing limited size of our Group which limited the number of projects which could be taken up by us at the same time and (iv) the strategic allocation of resources of the management (collectively, the “Causes”). Even if there is repeated invitations from the same customer, such invitations were considered by our Board on a case-by-case basis to determine as to whether it is in the interest of our Group to accept the same. It is of different nature from over-reliance and not an indication of our Group’s inability to secure business from other customers. If a longer period, instead of the Track Record Period alone, is considered, our Group, taking into account the size of our Group and the amount of business which requires to occupy our resources, in fact has a reasonably diversified range of customers and projects. Our Directors consider that despite the project/customer concentration, our Group’s business model is sustainable due to the following factors:

- It is not uncommon for a single project, in particular those mega-sized projects, to have a large contract sum such that one mega-sized project can contribute to a substantial amount of our revenue during the project period. In addition, a sizable project can have a contract period lasting for several years. Therefore, if we decide to undertake a project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us for more than one financial year.
- We have been actively tendering for projects amongst main contractors and property developers. If any of our major customers substantially reduce the number of contracts placed with us or terminates its business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other customers in view of the sustained market momentum in the following years. According to the F&S Report, with further development of Hong Kong property market and recovery of tourism and gaming industry in Macau, water-related facility service market is projected to sustain the rapid growing stage in the next few years and the value of this market in Hong Kong and Macau is expected to reach HK\$264.8 million and HK\$280.5 million in 2020 respectively, representing a CAGR of approximately 12.1% and 19.3% respectively.
- We usually deliberately adopt different approach in tender submission during different periods, taking into account the available manpower, capacity and resources at the material time. If we are already fully occupied, we usually adopt a more prudent approach in tender submission, which is usually reflected in the less competitive tender price. If we have available resources, we usually adopt a more proactive approach. This also explains the low tender success rate of our Group for the year ended 31 March 2016 as our Group allocated its resource mostly in Project A. In light of the expected completion of Project A, we will adopt a relatively proactive approach in tender submission as we can now allocate more manpower, capacity and resources to other projects after completion of Project A. This has been reflected in the improvement of the tender success rate since April 2016. From 1 April 2016 to 30 November 2016, we have submitted 22 tenders with aggregate tender sum of approximately HK\$229.3 million, of which 1 tender result with tender sum of approximately HK\$130.0 million is yet to be released. Among the remaining 21 tenders submitted, we were awarded 5 tenders with aggregate tender sum of approximately HK\$36.8 million, representing a tender success rate of 23.8% in terms of the number of projects. After the Track Record Period and

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up to the Latest Practicable Date, we have submitted 27 tenders with aggregate tender sum of approximately HK\$147.3 million and 10 tenders were awarded to us with tender sum of approximately HK\$47.2 million and 13 tender results with aggregate tender sum of approximately HK\$93.2 million are yet to be released. Those tenders were also related to a range of customers but not a single one.

- Although a mega-sized project would occupy a substantial part of our resources in short term, our Group can gain valuable experiences from such project and our profile will also be enhanced. Since the customers will consider our experiences in determining the successful bidder in their tender, undertaking mega-sized project will benefit the future business development of our Group in the long run.
- We have been providing management contracting services as a sub-contractor in Hong Kong for around 10 years. Our Directors believe that our established operating history with a wide range of project references allows us to consolidate our reputation and secure projects from different main contractors and property developers.
- Shun Cheong is one of the key players in the construction industry in Macau. Our Directors believe that our continued relationship with Shun Cheong will enhance our profiles and reputation through building a positive reputation in the industry and leveraging on the aforesaid, we can attract more potential customers. Further, repeated orders from Shun Cheong is a concrete evidence of our capability to serve high-calibre customer, which confer confidence on potential customers regarding our services.
- In addition to Shun Cheong, we also provide our management contracting services to other customers. Most of our major customers had long-standing business relationships with us for more than 3 years. Revenue attributable to other customers represented approximately 53.7%, 28.1% and 42.7% of our total revenue for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. This demonstrates that our Group also places emphasis on other customers instead of confining ourselves to a single customer.
- Our business opportunities arose mainly from invitation for tenders by customers. In the construction industry in Hong Kong, reputation, relationships with customers, flexibility and price are the key factors for our customers to select their service providers. We experienced a strong demand for our services from a wide range of customers during the Track Record Period as evidenced by the number of tender submissions that we submitted to our potential customers during the Track Record Period. Please refer to the paragraph headed “Project identification for management contracting services” in this section for further details.
- As such, we intend to further develop our business to cater for a wider range of requirements from our customers. We intend to use approximately HK\$24.5 million from the net proceeds from the Public Offering to enhance our capital base and approximately HK\$4.5 million from the net proceeds to strengthen our technical and project management capabilities to capture these business opportunities.
- As at the Latest Practicable Date, we had 21 on-going projects on hand. Taking into consideration of the outstanding contract sum and variation orders, these projects are expected to contribute approximately HK\$42.1 million, HK\$48.3 million and HK\$16.9

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million to our revenue for the years ended/ending 31 March 2017, 2018 and 2019, respectively. 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. Out of the 21 on-going projects on hand, 12 contracts have been entered into between our Group and the customers other than Shun Cheong. Such contracts are expected to contribute approximately HK\$9.3 million and approximately HK\$14.9 million to our revenue for the years ended/ending 31 March 2017 and 31 March 2018, respectively.

Although Project A is expected to be completed in June 2017, our Directors believe that our business will not be seriously affected after completion of Project A, based on the following reasons:

- (a) the outstanding contract sum and the variation orders of Project A expected to be recognised as revenue for the year ended 31 March 2017 amounted to approximately HK\$0.3 million representing approximately 0.3% of our outstanding contract sum and variation orders on hand up to the Latest Practicable Date. As at the Latest Practicable Date, the total outstanding contract sum and variation orders for management contracting services was approximately HK\$107.3 million and we had 21 on-going projects on hand. These contracts and variation orders on hand are expected to contribute approximately HK\$42.1 million, HK\$48.3 million and HK\$16.9 million to our revenue for the years ended/ending 31 March 2017, 2018 and 2019, respectively;
- (b) Project A is not the only mega-sized project which we are involved in. In 2016, we have also provided management contracting services of a water fountain and swimming pools in a hotel, casino, shopping and recreation complex in Macau with contract sum of approximately HK\$35.5 million and such contract sum is of comparable amount with that of Project A. Given our reputation and experience in handling mega-sized projects, our Directors are confident that our Group will be able to continue to secure new mega-sized projects in Hong Kong and Macau in the future. As at the Latest Practicable Date, our Group has submitted tenders for 6 mega-sized projects with aggregate tender sum of approximately HK\$201.7 million, the results of which are yet to be released. The Directors consider that participating in more mega-sized projects would be the long-term business direction of our Group;
- (c) as mentioned above, we usually adopt different approach in tender submission during different periods. In light of the expected completion of Project A, we will adopt a relatively proactive approach in tender submission as we can now allocate more manpower, capacity and resources to other projects after completion of Project A. From 1 April 2016 to 30 November 2016, we have submitted 22 tenders with aggregate tender sum of over HK\$229.3 million, of which 1 tender result with aggregate tender sum of approximately HK\$130.0 million is yet to be released. Among the remaining 21 tenders submitted, we were awarded 5 tenders with aggregate tender sum of approximately HK\$36.8 million, representing a tender success rate of 23.8% in terms of the number of projects. After the Track Record Period and up to the Latest Practicable Date, we have submitted 27 tenders with aggregate tender sum of approximately HK\$147.3 million and 10 tenders were awarded to us with tender sum of approximately HK\$47.2 million and 13 tender results with aggregate tender sum of approximately HK\$93.2 million are yet to be released;



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- (d) according to the F&S report, the theme parks in Hong Kong have devised plans of expansion. We have recently submitted tender as a sub-contractor for a mega-sized project relating to a theme park in Hong Kong, including a new all-weather water park and a new skating rink. The tender price is approximately HK\$130 million and the result is yet to be released. Our Directors are of the view that the theme park project will increase our revenue and benefit its future business development in the long term if the project is awarded to our Group. Our Directors will continue to seek business opportunities in relation to theme park related projects in the future.
- (e) according to the F&S Report, tourism, industry and gaming industry will continue to be the core industry in Macau with the openings of new hotels and casinos. Our Directors expect that there will continue be new projects on hotel, casino, shopping and recreation complex in Macau, which are usually mega-sized projects.
- (f) we believe that our Group is able to secure new projects from new customers by referrals from existing customers or by those with knowledge of our services and quality, or through personal and business contacts of our Directors. We also approach prospective potential customers from time to time to show our interest for being one of their approved contractors by introducing our background and industry experience. We are of the view that our previous job reference, expertise in relation to Water Circulation System projects and relationship with customers are some of the important decision factors for our potential new customers in choosing us to be the contractor for their projects. With the securing of new projects from new customers and other existing customers from time to time, our Group can reduce the concentration on a particular customer or project. Further, our Directors consider that the Listing will enable our Group to attract potential customers, in particular high-calibre customers.

In light of the above, our Directors consider that our Group has endeavoured, and is able to, continue to secure new projects, whether from new customers or existing customers, from time to time. Hence, our revenue will not be significantly affected after the completion of Project A in June 2017.

### ***Our relationship with Shun Cheong***

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, revenue from Shun Cheong amounted to approximately HK\$26.4 million, HK\$65.4 million and HK\$38.5 million respectively, representing approximately 46.3%, 71.9% and 57.3% of our total revenue, respectively. To the best knowledge and belief of our Directors, Shun Cheong and its ultimate beneficial owners are Independent Third Parties.

### ***Background of Shun Cheong***

Shun Cheong is a wholly-owned subsidiary of Chinney Alliance, a company listed on the Main Board of the Stock Exchange (stock code: 385). Based on Chinney Alliance's latest annual results announcement, its turnover for the year ended 31 December 2016 was over HK\$4.6 billion and its net assets value as at 31 December 2016 was over HK\$1.5 billion. Shun Cheong is principally engaged in the design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure

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ranging from: extra low voltage, electrical, fire protection and fighting, building intelligence systems, standby diesel & gas-fired generators, filtration and water features, plumbing and drainage, co-generation systems, and facility management.

### *Business relationship with Shun Cheong*

We have 3 years' business relationship with Shun Cheong. We started to provide our management contracting services to Shun Cheong as a sub-contractor under the contract awarded to us in 2014, with contract sum of approximately HK\$36.5 million, i.e. Project A, which involved the design, procurement and installation of the Water Circulation System for a lake and swimming pools in a hotel, casino, shopping and recreation complex in Coloane-Taipa, Macau. In addition, it also supplied consumables to our Group during the Track Record Period. For details, please refer to the paragraph "Our customers — Entities who are our customers and also our suppliers" in this section.

### *Contractual arrangement with Shun Cheong in relation to our management contracting services*

Similar to our arrangements with other customers, our arrangement with Shun Cheong is project-based and we did not enter into long term agreements with Shun Cheong. During the Track Record Period and up to the Latest Practicable Date, our Group provided services to Shun Cheong on five projects, both being hotel, casino, shopping and recreation complex projects in Macau and residence projects in Hong Kong. Under our agreements with Shun Cheong, they generally contain material terms including (i) progress payment terms which require Shun Cheong to pay us on a monthly basis with a credit term of 30 days for the interim and final payments. Shun Cheong is generally entitled to retain 10% of each progress payment and up to a maximum limit of 5% of the total contract sum (subject to variation order) as retention monies; (ii) our Group shall provide competent project staff to ensure smooth execution of the project and shall engage other sub-contractors to carry out the works if necessary; (iii) defect liability period of 12 months; and (iv) maintenance of insurance by Shun Cheong and our Group.

### **Entities which are our customers and also our suppliers**

During the Track Record Period, three of our customers were also our suppliers, supplying us with consumables for the Water Circulation System. In particular, our largest customer during the Track Record Period was also our largest supplier for the years ended 31 March 2015 and 2016. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our revenue attributable to our largest customer accounted for approximately 46.3%, 71.9% and 57.3% respectively, of our total revenue. During the same period, our purchase from our largest customer accounted for approximately 19.3%, 12.7% and 22.5%, respectively, of our total cost of services. It is infeasible to calculate the gross profit and gross profit margin for those projects with this customer on a standalone basis since it is difficult to allocate the costs of our head office to those specific projects.

Our Directors consider that our Group did not place undue reliance on Shun Cheong on the following grounds:

- Due to the nature of our business, our revenue and costs are mainly based on our projects, projects of larger size can generate more revenue but inevitably incur higher costs;



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- Shun Cheong is also engaged in other business, including the supply of consumables. Given that its quotations are competitive and its payment terms are favourable, our Group decides to procure consumables from Shun Cheong. Our Directors understand that Shun Cheong also supplies consumables in its other projects which our Group is not involved;
- Our Directors confirmed that, during the Track Record Period, the consumables we purchased from our largest supplier were not subsequently used in other projects, instead, the consumables were only used in the same projects;
- Such arrangement was not initiated by our Group and was not a prerequisite for us to be awarded for the relevant project. Given that their quotations of consumables are competitive, there is simply no persuasive reason not to accept such arrangement from the commercial point of view;
- It must reiterate that, despite the overlapping of the largest customer and largest supplier for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our purchase from Shun Cheong only accounted for approximately 19.3%, 12.7% and 22.5% respectively of our total purchase for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 and therefore a substantial portion of our purchases are still procured from other suppliers;
- Those consumables procured from Shun Cheong are available in the open market and our Directors consider that there will be no difficulties for our Group to procure the same with comparable price and quantity from other suppliers in the event that Shun Cheong ceases to supply the same to us due to any reason whatsoever. We have over 40 suppliers in our approved list of suppliers and our Group did not experience any shortage of suppliers of consumables during the Track Record Period. For details of our suppliers, please refer to the paragraph headed “Our suppliers” in this section;
- Negotiations of the terms of our sales to and purchase from Shun Cheong were conducted on individual basis. Consistent with our arrangements with other customers, the use of the consumables supplied by Shun Cheong was agreed upon arm’s length negotiation between our Group and Shun Cheong. The salient terms of the transactions with Shun Cheong are in line with the market standards and similar to those transactions with our other existing customers and suppliers.

Based on the best knowledge of our Directors, as at the Latest Practicable Date, we are a major contractor of Shun Cheong providing design, procurement and installation services for its Water Circulation System and water-related facility service projects.

**Reduction of customer/project concentration**

Our Group has devised plans to reduce reliance on one customer/project by taking up more projects as we will have more manpower, capacity and resources after the completion of Project A. In view of the following, our Directors believe that customer/project concentration will not be an issue to our Group in the future:

- (i) our Directors consider that, based on the tender invitations received by our Group from time to time, the market demand for design, procurement and installation services of Water Circulation System of water-related facilities in Hong Kong and Macau will remain sufficient to sustain the business of our Group. Subsequent to the end of Track Record Period and up to the Latest Practicable Date, our Group has submitted 27 tenders with aggregate tender sum of over HK\$147.3 million. Those tenders were also related to a range of customers but not a single one;
- (ii) our Group has no intention to limit ourselves to servicing only Shun Cheong and adopted a more proactive approach in tender submission and any repeated invitations from Shun Cheong were considered by our Board on a case-by-case basis similar to the tender invitation from other existing or new customers. This has been reflected in the improvement of the tender success rate since April 2016. From 1 April 2016 to 30 November 2016, our Group has submitted 22 tenders with aggregate tender sum of over HK\$229.3 million, of which 5 tenders with aggregate tender sum of approximately HK\$36.8 million have been awarded to our Group and the result of 1 tender with tender sum of approximately HK\$130.0 million is yet to be released. In light of the aforesaid, our Directors are of the view that, even after completion of Project A or Shun Cheong ceases to do business with us, our Group will have enough business;
- (iii) as mentioned in the section headed “Future Plans and Use of Proceeds” in this prospectus, the Listing will enable our Group to expand the size of its professional teams and hence its financial resources and capacity to take up other projects even if a mega-sized project is on-going; and
- (iv) our Group proactively approach new customers for more new projects from time to time. For the period from 1 April 2016 to the Latest Practicable Date, our Group has received several tender invitations from new customers, one of which is a listed company in Hong Kong with long history in property development in Hong Kong, demonstrating our effort to reduce our reliance on our existing customers. Our Directors consider that the Listing will confer confidence on our potential customers.

Our Group is also considering to expand its customer base relating to theme park projects through its participation in TEA. Being the only member of TEA in the water-related facilities service industry in Hong Kong, our Group is able to obtain the most updated information regarding the latest water landscape design and trend which might still be unknown to its competitors. By possessing up-to-date information of technical know-how, industry knowledge, our Group will be more likely to secure new projects and business opportunities in relation to theme park related projects. Further, according to the F&S report, the theme parks in Hong Kong have devised plans of expansion. For instance, the Phase 2 development of a theme park in Hong Kong will cover an estimated area of 60 hectares covering resort facilities hotel development and retail facilities. Meanwhile, another theme park in Hong Kong also

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planned to expand, include a new all-weather water park and a new skating rink. Such expansion plans will require contractors with expertise in the area of installation of water-related facilities. In order to seize this opportunity and expand our customer base, our Group has recently submitted tender as a sub-contractor for a mega-sized project involving a theme park in Hong Kong, including a new all-weather water park and a new skating rink. It is estimated that it will take another 4 to 6 months before the release of the results of the tender.

Further, our Directors consider that, although filibustering over funding applications and other controversies happened in the Legislative Council in Hong Kong have delayed the approval of funding of planned public construction projects, such as the music fountains in the Kwun Tong Promenade, it may constitute a huge market opportunity and hence, significantly increase the demand for the services of our Group in the future once those public construction projects are approved. Our Directors will continue to strive for such opportunities in the future.

### **Directors' views on the relationship of our Group with Shun Cheong**

Taking into consideration of the following reasons:

1. as mentioned above, our Group does not solely rely on one or a few customers in securing business opportunities. Rather, our Group considers and assesses various business opportunities which are available to it from time to time and choose to secure those business opportunities after taking into account of various factors, including the profitability, experiences and reputation which can be gained from the project. After selection, our Group will devote its resources to those projects during the project periods. The issue of customer concentration at any specific point of time is purely caused by (i) the project-based nature of the business of our Group, (ii) the lengthy execution period of each project which led to a longer revenue recognition period for our Group, (iii) the existing limited size of our Group which limited the number of projects which could be taken up by us at the same time and (iv) the strategic allocation of resources of the management (collectively, the "Causes"). Even if there is repeated invitations from the same customer, such invitations were considered by our Board on a case-by-case basis to determine as to whether it is in the interest of our Group to accept the same. It is of different nature from over-reliance and not an indication of our Group's inability to secure business from other customers. If a longer period, instead of the Track Record Period alone, is considered, our Group in fact has a reasonably diversified range of customers and projects;
2. our Group will adopt a relatively proactive approach in tender submission in order to secure more customers as it can allocate more manpower, capacity and resources to other projects after completion of Project A. This has been reflected in the improvement of the tender success rate since April 2016;
3. as the industry is project-based, the allocation of substantial resources in one project will limit the resources to be put in other project if the size, resources and manpower of such business entity is limited. As at the Latest Practicable Date, the total outstanding contract sum and variation orders for management contracting services was approximately HK\$107.3 million and our Group had 21 other on-going projects on hand. These contracts and variation

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orders on hand are expected to contribute approximately HK\$42.1 million, HK\$48.3 million and HK\$16.9 million to the revenue for the years ended/ending 31 March 2017, 2018 and 2019 respectively; and

4. further, according to F&S Report, the participants in the water-related facility service market generally rely on a small number of customers and the phenomenon of customer concentration should not be viewed as an indication that our Group relies on this customer and lacks the ability in securing other customers. Rather, our Group chooses to secure those business opportunity and devote most of its resources and manpower to those projects in light of the profitability. It must also be reiterated that upon the completion of Project A, our Group will be able to allocate more resources to other projects,

the Directors is of the view that our Group's reliance on Shun Cheong is not extreme and does not affect our Group's suitability for listing and the Sole Sponsor concurs with their view.

### **Pricing strategy and policy**

#### *Pricing for management contracting services*

Our pricing for our management contracting services, which is project-based, is determined on a cost-plus basis having regard to various factors including (i) the scope of works we are responsible for; (ii) the scale, complexity and particular technical requirement of the project; (iii) the estimated project cost (including costs of consumables, sub-contracting fees, labour costs, etc.), (iv) the expected profit margin; (v) the estimated duration of the project; (vi) the prevailing market conditions and (vii) any special terms or requirements.

Our project manager will carefully monitor the costs and expenses during the course of the projects to minimise the risk of cost overruns. During the Track Record Period, for each project, we will compile a financial budget and monitor the same from time to time during the implementation of our project to ensure that the costs incurred by us correspond to the stage of completion of our project. Due to the nature of our projects, the costs of a project, which mainly include the costs of consumables and sub-contracting fees, could usually be estimated with reasonable accuracy without significant deviation.

The value of the variation orders is determined by and is based on the mark-up margin of the original contract. Whilst the principal terms and settlement of variation orders are generally in line with the terms of the original contract, usually, the overall gross profit margin of the variation orders are usually higher than the profit margin of the original contract.

There may be possibility that the time and costs actually incurred by our Group may deviate from the estimated time and costs actually due to various factors such as substantial departures from the original design, delays in construction works, shortage and cost escalation of consumables and sub-contractors, adverse weather conditions and unforeseen site conditions. Any material inaccurate estimation may lead to significant cost overruns and may adversely affect our financial results. For details of our measures on working capital and cost management, please refer to the paragraph headed "Working capital and cost management" in this section.

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During the Track Record Period, all of our projects were priced at fixed costs (i.e. priced based on a pre-agreed fixed scope of work), subject to variation orders. We may accept customers' requests for variation in the scope of work. During the Track Record Period, save as the disagreements between us and Customer F as disclosed in the section headed "Business — Major customers" in this prospectus, we did not experience any material dispute with our customers on the amount of contract sum payable to us, including the progress payment, final payment and the fees for variation orders.

During the Track Record Period, all the contracts between our Group and our customers do not contain provisions for price adjustment. The unit price of consumables are determined and fixed at the time of tender submission taking into account possible future price fluctuations. To better estimate the tender price and mitigate the risk of consumable price fluctuation, we first obtain fee quotations on the consumables from suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the unit price of consumables that had material impact on our business, financial condition or results of operation.

During the Track Record Period, there were no loss-making projects and we had not experienced any material loss in relation to our management contracting services due to substantial inaccurate cost estimate.

### *Pricing for consultancy services*

For our consultancy services, our pricing is determined with reference to the complexity of the project, the human resources required and the estimated amount of time to be expended in the provision of the relevant services.

### *Pricing for maintenance services*

For our maintenance services, our pricing is determined with reference to the size, the scope of services, the technical requirements, the human resources required and the estimated amount of time to be expended in the provision of the relevant services.

### **Seasonality**

Due to the nature of our business which is mainly project-based, we do not have any significant seasonal trends during the Track Record Period, and we believe that there is no apparent seasonality factor affecting the industry.

### **OUR SUPPLIERS**

Our suppliers mainly include suppliers of the consumables such as water pipes, filters, pumps, valves, etc., for our projects and the suppliers for leasing of equipment such as electric scissor lift for our contract works.

### **Selection of suppliers**

We conduct background search on our suppliers and select them based on their track record, reputation, price, quality and past performances.

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We maintain an approved list of the suppliers that meet our criteria, which we review annually. During our annual review, we may remove any suppliers that fail to meet our standards and may add new suppliers to our list according to our assessment of their performance. Apart from our approved list, we also take into account of those suppliers that are in our customers' list of suppliers. As at the Latest Practicable Date, there were approximately 47 suppliers included in our approved list of suppliers.

If any of the consumables are not available from those suppliers in our approved list, we shall obtain fee quotations from at least two suppliers which can supply such consumables before we decide the supplier of such consumables.

### **Characteristics of our suppliers**

During the Track Record Period, our suppliers mainly included suppliers of consumables. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016:

- the costs of consumables were approximately HK\$26.8 million, HK\$32.2 million and HK\$26.3 million respectively, representing approximately 62.7%, 47.8% and 53.0% of our total costs of services respectively. Most of our suppliers of consumables were located in Hong Kong; and
- the rentals for lease of equipment, such as electric scissor lift, were approximately HK\$42,000, HK\$214,000 and HK\$275,000 respectively, representing less than 1% of our total costs of services respectively.

We generally order the relevant consumables in accordance with the requirements of the project and therefore do not maintain any inventory nor enter into any long-term agreements with our suppliers. Our Directors believe that we have established relationships with our suppliers and all of our top five largest suppliers whom we procured consumables during the Track Record Period have been working with us from 2 to 7 years. During the Track Record Period, we did not encounter any material difficulty in sourcing supplies based on our needs.

Our suppliers generally grant us a credit term ranging from 30 to 90 days. During the Track Record Period, we mainly settled payments with our suppliers in HKD by cheques and bank remittances. For some overseas suppliers, we settled payment in US\$ by bank remittances.

During the Track Record Period, we had not experienced any material dispute with our suppliers, nor any disruption, shortage or delay in relation to the delivery of their supplies and services which may materially or adversely affect our operations and financial conditions. Our Directors consider that the possibility of a material shortage or delay is remote given the availability of other suppliers supplying similar consumables in the market.

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### Prices of supplies

We obtain quotations from our suppliers before we procure any supplies. Prices are determined by reference to quotations of suppliers as agreed between us and the suppliers on an order-by-order basis. Our Directors consider various factors during procurement of supplies, including the delivery time, price and payment terms proposed by the suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of supplies that had material impact on our business, financial condition or results of operations.

### Major suppliers

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016:

- the costs incurred in respect of our five largest suppliers accounted for approximately 34.8%, 24.4% and 33.4% of our total cost of services incurred respectively; and
- the cost incurred in respect of our largest supplier accounted for approximately 19.3%, 12.7% and 22.5% of our total cost of services incurred respectively.

Set out below are the details of our major suppliers of consumables for Water Circulation System during the Track Record Period:

Suppliers	Background	Amount of total costs of services incurred (HK\$'000)	Percentage of our total costs of services of consumables supplied to us (%)	Major consumables	Years of business relationship with us as at the Latest Practicable Date	Credit terms (days)
<b>For the year ended 31 March 2015</b>						
Shun Cheong	A subsidiary of Chinney Alliance. Shun Cheong is principally engaged in design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure.	8,228	19.3	Chemical pumps and controllers, electrical leaper, pipes and accessories	3	30
Supplier B	A private company in Hong Kong principally engaged in provision of design, consultancy services and supply of materials for construction.	1,914	4.5	Hologram display units	4	30
Wellgo	A private company in Hong Kong principally engaged in provision of materials for construction.	1,660 <sup>(Note)</sup>	3.9	Ultraviolet disinfection system	2	30
Supplier C	A private company in China principally engaged in provision of materials for construction.	1,549	3.6	Pipes and fittings	2	COD
Gate Way Valve & Fitting Limited	A private company in Hong Kong principally engaged in provision of materials for construction.	1,497	3.5	Values, pipes and accessories	5	60-90

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Suppliers	Background	Amount of total costs of services incurred (HK\$'000)	Percentage of our total costs of services (%)	Major consumables supplied to us	Years of business relationship with us as at the Latest Practicable Date	Credit terms (days)
<b>For the year ended 31 March 2016</b>						
Shun Cheong	A subsidiary of Chinney Alliance. Shun Cheong is principally engaged in design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure.	8,567	12.7	Chemical pumps and controllers, electrical leaper, pipes and accessories	3	30
Gate Way Valve & Fitting Limited	A private company in Hong Kong principally engaged in provision of materials for construction.	2,256	3.4	Valves, pipes and accessories	5	60-90
Milton (Asia) Limited	A private company in Hong Kong principally engaged in provision of materials for construction.	2,208	3.3	Stainless steel pipes and fittings	1	30
Supplier B	A private company in Hong Kong principally engaged in provision of design, consultancy services and supply of materials for construction.	1,857	2.8	Hologram display units	4	30
Supplier F	A private company in Hong Kong principally engaged in provision of materials for construction.	1,487	2.2	Cables and accessories	7	COD
<b>For the eight months ended 30 November 2016</b>						
Shun Cheong	A subsidiary of Chinney Alliance. Shun Cheong is principally engaged in design, installation and maintenance of sub-systems of multi-disciplinary building infrastructure.	11,128	22.5	Chemical pumps and controllers, electrical leaper, pipes and accessories	3	30
Hong Kong Chun Tat E&M Engineering Limited	A private company in Hong Kong principally engaged in provision of building and construction services and materials for construction.	1,763	3.6	Cables and accessories	2	30
Supplier G	A private company in Hong Kong principally engaged in provision of materials for construction.	1,437	2.9	Control panels and accessories	1	COD
Supplier H	A private company in Hong Kong principally engaged in provision of materials for construction.	1,274	2.6	Cables and accessories	1	60-90
Supplier K	A private company in Hong Kong principally engaged in provision of lighting products.	894	1.8	Lighting products	2	60-90

*Note:* This represents the amount for the purchase of consumables from Wellgo. Our Directors confirmed that all such transactions were conducted in the ordinary course of business, on an arm's length basis and on normal commercial terms. Wellgo is wholly-owned by Mr. Ng Wan Lok, an executive Director appointed on 8 June 2016. During the Track Record Period, Mr. Ng Wan Lok was not a Director and therefore the transactions between our Group and Wellgo did not constitute connected transactions under the GEM Listing Rules at the material time when the transactions were made. As at the Latest Practicable Date, Wellgo is in the process of being deregistered since it had no longer conducted any business.

During the Track Record Period, save for Shun Cheong which is a wholly-owned subsidiary of a listed company in Hong Kong, all of our five largest suppliers are private companies.



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Save and except for the subscription by FRO Management, a company owned by segregated portfolio under Global Equity which the First Pre-IPO Investor belongs, of the convertible bond issued by Chinney Shun Cheong which is a fellow subsidiary of Shun Cheong as disclosed in the section headed “History, Reorganisation and Corporate Structure — Background of the Pre-IPO Investors” in this prospectus, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

### **OUR SUB-CONTRACTORS**

We do not have our own workers to carry out the installation works of Water Circulation System. During the Track Record Period, our sub-contractors provided workers who carry out the installation services of the Water Circulation System in connection with our management contracting services in accordance with our instructions and under the supervision of our project team. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, the sub-contracting fees were approximately HK\$9.6 million, HK\$27.0 million and HK\$17.1 million, representing approximately 22.4%, 40.2% and 34.6% of our total costs of services respectively. During the Track Record Period and up to the Latest Practicable Date, we have engaged around 20 sub-contractors, all of which were Independent Third Parties.

Since our Group’s business is project-based, the number of workers required from time to time fluctuates, and is subject to the progress of the project. Our Directors consider that such sub-contracting arrangement is more cost-effective and flexible since it is on a project basis and we can avoid the risk and burden of employing full-time workers by ourselves.

Our sub-contractors mainly include local sole proprietors as well as limited liability companies. During the Track Record Period, all of our sub-contractors were located in Hong Kong or Macau.

We are accountable to our customers for the works performed in a project, including those carried out by our sub-contractors. Our customers are aware of our arrangements with the sub-contractors and do not impose any restriction or requirement on such arrangement or on us.

### **Selection of sub-contractors**

We maintain an internal list of approved sub-contractors. We evaluate sub-contractors and decide whether to include them in our list based on a number of factors such as their track record, background, experience, fees, quality of works, resources, reputations, etc. We will review the approved list annually, and may remove any sub-contractors that fail to meet our standards and add new sub-contractors to our list according to our assessment of their performance, experience, track record and reputation.

Our Directors believe that we have established business relationships with our sub-contractors and all of our top five largest sub-contractors during the Track Record Period have been working with us for 2–8 years. During the Track Record Period, we did not encounter any material difficulty in finding substitute sub-contractors, if necessary.

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### Major sub-contractors

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016:

- the costs incurred in respect of our five largest sub-contractors accounted for approximately 17.8%, 26.1% and 24.0% of our total cost of services incurred respectively; and
- the cost incurred in respect of our largest sub-contractors accounted for approximately 9.6%, 9.8% and 6.2% of our total cost of services incurred respectively.

None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest sub-contractors during the Track Record Period.

Set out below are the details of our major sub-contractors during the Track Record Period:

Sub-contractors	Background	Amount of total costs of services incurred (HK\$'000)	Percentage of our total costs of services (%)	Percentage of our total sub- contracting fee (%)	Years of business relationship with us as at the Latest Practicable Date	Credit terms (days)
<b>For the year ended 31 March 2015</b>						
Sub-contractor A	A private company in Hong Kong principally engaged in building and construction services.	4,103	9.6	42.8	4	30
Artigos Electricos Kin Chit	A private company in Macau principally engaged in building and construction services.	1,069	2.5	11.2	2	30
Sub-contractor C	A subsidiary of a conglomerate listed on the Main Market of London Stock Exchange principally engaged in building and construction services and supply materials for construction.	1,062	2.5	11.1	4	30
Hong Kong Chun Tat E&M Engineering Limited	A private company in Hong Kong principally engaged in building and construction services and supply materials for construction.	974	2.3	10.2	2	30

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Sub-contractors	Background	Amount of total costs of services incurred (HK\$'000)	Percentage of our total costs of services (%)	Percentage of our total sub- contracting fee (%)	Years of business relationship with us as at the Latest Practicable Date	Credit terms (days)
Sub-contractor E	A private company in Hong Kong principally engaged in building and construction services.	373	0.9	3.9	3	30
<b>For the year ended 31 March 2016</b>						
Artigos Electricos Kin Chit	A private company in Macau principally engaged in building and construction services.	6,558	9.8	24.3	2	30
Ka Wah Decoration and Construction*	A private company in Macau principally engaged in building and construction services.	3,406	5.1	12.6	2	30
Cheong Ou Engenharia Electromecanica Limitada	A private company in Macau principally engaged in building and construction services.	2,709	4.0	10.0	2	30
Sub-contractor E	A private company in Hong Kong principally engaged in building and construction services.	2,535	3.8	9.4	3	30
Sub-contractor H	A private company in Hong Kong principally engaged in building and construction services.	2,315	3.4	8.6	8	30

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Sub-contractors	Background	Amount of total costs of services incurred (HK\$'000)	Percentage of our total costs of services (%)	Percentage of our total sub- contracting fee (%)	Years of business relationship with us as at the Latest Practicable Date	Credit terms (days)
<b>For the eight months ended 30 November 2016</b>						
Artigos Electricos Kin Chit	A private company in Macau principally engaged in building and construction services.	3,048	6.2	17.8	2	30
Sub-contractor H	A private company in Hong Kong principally engaged in building and construction services.	2,618	5.3	15.3	8	30
Cheong Ou Engenharia Electromecanica Limitada	A private company in Macau principally engaged in building and construction services.	2,304	4.7	13.5	2	30
Hong Kong Chun Tat E&M Engineering Limited	A private company in Hong Kong principally engaged in building and construction services and supply materials for construction.	2,010	4.1	11.8	2	30
Sub-contractor E	A private company in Hong Kong principally engaged in building and construction services.	1,833	3.7	10.7	3	30

\* For identification purpose only

During the Track Record Period, save for sub-contractor C which is a subsidiary of a conglomerate listed on the Main Market of London Stock Exchange, all of our five largest sub-contractors are private companies.

### **Key terms of sub-contracting engagement**

As our customers engage us on a project basis, we do not enter into any long-term contract with our sub-contractors. The major terms with our sub-contractors providing workers to us generally include the following:

- The sub-contractors provide workers to us and shall be responsible for handling all labour works in accordance with the requirements of our Group;
- The price of the works and the retention monies requirement are set out in the agreement;

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- The sub-contractors shall submit payment application to our Group on a specified date every month and such application shall include the duty record of the workers;
- Our sub-contractors generally grant us a credit term of 30 days. During the Track Record Period, we mainly settled payments with our sub-contractors in HKD and MOP by cheques and bank remittances;
- The sub-contractors shall report to us the progress of work on a daily basis, including the nature of work done and the number of workers involved. If there is any delay in the works, the sub-contractors shall notify our Group at once such that appropriate arrangement could be made;
- The sub-contractors shall not employ illegal workers and shall comply with all applicable laws;
- The sub-contractors shall be responsible for all wages and contribution to mandatory provident funds and social insurance scheme of the workers and our Group shall not be responsible for the same; and
- Our Group shall be entitled to terminate the engagement of the sub-contractors if (i) it employs illegal workers, (ii) it seriously violates the laws and regulations on safety, or (iii) the quality of their services fails to meet our requirements and fails to rectify the same after our request.

While there is generally a contract term regarding retention monies to be held up by our Group, during the Track Record Period, we did not withhold retention monies from our subcontractors. According to the F&S Report, the participants in the water-related facility service market generally do not hold up retention monies from payments payable to its sub-contractors. This is a commercial arrangement between us and our sub-contractors, whereby our sub-contractors would charge higher subcontracting fees if retention monies were required to be held up by us. In addition, if retention monies is required to be held by us, this may limit our choices in selecting sub-contractors, and in turn, may increase our sub-contracting cost. Instead of collecting retention monies to ensure their work, our Group closely monitors the quality of the works of our subcontractors from time to time and we will immediately request the sub-contractors to rectify the same upon discovery of any defects. So far there was no major quality issue in the work of our sub-contractors. Further, in line with industry practice, we require our sub-contractors to provide a defect liability period of 12 months after the practical completion of the contract works, which is usually the same as the defect liability period requested by our customers during which the sub-contractors shall be responsible for rectifying any defects in relation to the works completed by it.

### **Supervision of our sub-contractors**

We adopt the following measures to control and manage the performance of our sub-contractors:

- *Constant monitoring and supervision:* Our project team conducts daily on-site monitoring and supervision on the work performance of the sub-contractors and their workers, and assesses the performance of our sub-contractors from time to time to ensure the work quality and project progress. Furthermore, we will perform annual performance appraisal on our approved list of sub-contractors, and may remove any sub-contractors that fail to meet our standards.
- *Substitution of workers:* We may require our sub-contractors to change those workers if they (i) fail to carry out the work in a proper manner; or (ii) seriously delay in carrying out the work without reasonable cause.
- *Safety training:* We require the workers of the sub-contractors to attend site safety briefing sessions and trainings to improve their safety and environmental awareness and assist them in rectifying unacceptable or dangerous practices at the site.
- *Compliance with safety and environmental laws:* Sub-contractors are required to carry out the works in accordance with all relevant and applicable safety, health and environmental laws, rules and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not (i) receive any material complaint or demand for any kind of compensation from our customers due to the quality issue in relation to the work performed by our sub-contractors nor (ii) experience any material dispute with our sub-contractors, or any disruption, shortage or delay in relation to the delivery of their services which may materially or adversely affect our operations and financial conditions.

The liability of our Group in respect of the claims from our Group's subcontractors arising out of and in the course of their engagement as workers will be covered by the insurance policy taken out by the relevant main contractor. During the Track Record Period, the main contractor usually maintained separate insurance for all workers, including our Group's staff and those engaged by our Group's sub-contractors working at the construction site. 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 construction site.

### **INVENTORY MANAGEMENT**

Our Group's business is project-based. Given different projects have different requirements on key consumables, which is specified in the tender documents, we order our key consumables on an as-needed basis. We did not have any inventory during the Track Record Period.

## **QUALITY ASSURANCE**

We emphasise on the quality of our services provided to our customers. We have implemented the following procedures in controlling our service quality:

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

Our executive Directors closely monitor the progress of each project to ensure that our services (i) meets our customer's requirements; (ii) are completed within the time stipulated and the budget allocated for the project; and (iii) comply with all relevant and applicable rules and regulations. Our project team also assists to monitor the overall work quality and project progress. They will also conduct day-to-day on-site supervision and monitoring and will timely inform our management of the project status and any quality issues arising from project execution.

### **Quality control plan on our system**

To control the quality of the key consumables, equipment and machinery supplied to us, we generally source from our approved sub-contractors and suppliers. We carefully select our approved sub-contractors and suppliers based on certain criteria, such as their track record, background, experience, fees, quality of works and resources etc.

### **Constant monitoring and inspection**

We conduct on-site inspections of key consumables procured from our suppliers to ensure they meet our customers' requirements and specifications. Upon arrival of the ordered consumables, all consumables are sent directly to relevant site for inspection by our project manager before installation. During inspection, we will check (i) whether the quantity is correct; (ii) whether there is any observable defects; (iii) (for site equipment leased by us) whether it functions properly. In addition, for certain government projects, our Group is also required to engage professionals to perform inspection and quality tests on sample materials. Any defective materials would be returned to the suppliers for replacement.

### **Quality control on Water Circulation System**

For project works that involved the installation and filtration systems of swimming pools in Hong Kong, the Swimming Pools Regulation (Chapter 132CA of the Laws of Hong Kong) required that the licensee of the swimming pool should ensure that the water quality should meet certain requirements, i.e. the total bacterial count, Escherichia coli and/or Vibrio cholera content of a water sample cannot exceed the acceptable standard. Before completion of the installation works, we would inspect and perform sample tests from the water discharged from the pipeline system to ensure it meets the standards as prescribed by the relevant laws and regulations. Our Directors confirm that the swimming pools for which we provided installation services have passed all major inspections by the relevant government authorities during the Track Record Period and up to the Latest Practicable Date.

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Our Directors confirm that, save as the disagreements between us and Customer F as disclosed in the section headed “Business — Major customers” in this prospectus, (i) there were no major complaints from our customers regarding quality of our works and (ii) we did not experience any major delay in our projects during the Track Record Period and up to the Latest Practicable Date.

### MARKETING AND PROMOTION

As our Group ranked the first in term of sales revenue in the water-related facility service market in Hong Kong and Macau in 2016 according to the F&S Report, our Directors believe that we have strong reputation in the industry. We are able to leverage on our existing customer base and reputation to secure new projects from time to time. Our Directors believe that maintaining and developing our Group’s technical competence and reputation in the industry would be essential in our marketing. We are of the view that the quality of work and services delivered by us would contribute to the maintenance and expansion of our customer base.

### COMPETITION

According to the F&S Report, as of 2016, there are over 15 participants in the Hong Kong and Macau water-related facility service market. The competition in Hong Kong and Macau water-related facility service market is moderately concentrated. The top 3 market players together occupied approximately 54.4% and 63.6% market share in term of sales revenue in Hong Kong and Macau respectively. In term of sales revenue, the market of Hong Kong and Macau was led by our Group, which took up approximately 28.4% and 35.9% market share in Hong Kong and Macau respectively.

In the recent years, the water-related facility service market in Hong Kong and Macau took an upward trend. From 2010 to 2016, the value of water-related facility service market in Hong Kong increased from HK\$75.1 million to HK\$167.9 million, representing a CAGR of 14.4%, and the value of water-related facility service market in Macau increased from HK\$28.6 million to HK\$138.5 million, representing a CAGR of 30.1%. The number of five stars hotels in Macau increased from 23 in 2010 to 32 in 2016 with a CAGR of 5.7%. In 2016, there were 38 casinos in Macau. In the future, the increasing number of five stars hotels and casinos is anticipated to drive the demand of water-related facilities. Meanwhile, the number of newly completed private residential buildings grew from 109 blocks to 262 blocks, representing a CAGR of 15.7% from 2010 to 2016. With the further development of property market in Hong Kong, the number of newly completed private residential buildings is likely to continue growing and may boost the need of water-related facilities in the coming years. Accordingly, driven by the further development of Hong Kong property market and recovery of gaming industry in Macau, water-related facility service market in Hong Kong and Macau is projected to sustain the rapidly growing stage in the next few years and the value of this market is expected to reach HK\$264.8 million and HK\$280.5 million in 2020 respectively, representing a CAGR of 12.1% and 19.3% respectively. For more details on the industry environment, please refer to the section headed “Industry Overview” in this prospectus.

Given our proven track record in this industry, the business network developed by our executive Directors with various stakeholders in the industry, as well as the competitive strengths we possess, we are confident that we are able to continue to develop our business in a sustainable manner.

For details of our competitive strengths, please refer to the paragraph headed “Our competitive strengths” in this section.



## **INSURANCE**

During the Track Record Period, we maintained insurance policies as set out in the following paragraphs. Our Directors believe that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice. Our Directors confirm that no claims have been made in respect of our insurance policies during the Track Record Period and up to the Latest Practicable Date. The main contractor usually maintains separate insurance for all workers, including our staff and those engaged by the sub-contractors working at the construction site. 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 construction site.

### **Employee's compensation insurance**

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employees are required to maintain insurance policies to cover their liabilities both under the Employee's Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). We have maintained insurance policies in accordance with such requirement. During the Track Record Period and up to the Latest Practicable Date, no industrial accident causing material personal injury or death to our employees or to workers provided by our sub-contractors had occurred. During the Track Record Period and up to the Latest Practicable Date, we have not made or been the subject of any material insurance claim.

### **Key management life insurance**

A commercial bank has provided certain banking facilities to our Group. In connection with such banking facility, we are required to maintain a key management life insurance for Mr. Nam.

## **ENVIRONMENTAL PROTECTION**

Our business, whether in Hong Kong or Macau, is subject to certain local laws and regulations in relation to environmental protection such as Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong) and Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong). For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

Our Directors believe that it is essential for us to act environmentally responsible to meet the customers' requirements in environmental protection and the expectation of the community for a healthy living environment, and in return it will ensure the healthy growth and development of our business.

We are committed to minimise any adverse impact on the environment resulting from our business activities. Our works are undertaken in accordance with the permitted work hours as specified by each project.

Apart from above the environmental protection measures, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations on among others, waste disposal, air pollution, and noise control. For example, our project manager is appointed to (i) provide guidance to staff members who fail to implement control measures for pollution control and wastage to his satisfaction; (ii) provide

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funds and facilities required to fulfil policy commitments; and (iii) implement proper administrative procedures for reporting and investigating the cost and loss of non-compliance with pollution control and wastage requirements.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we incurred approximately HK\$17,300, HK\$45,800 and HK\$46,000 respectively for environment-related matters, which primarily consisted of Government levy on dumping of construction wastes. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that during the Track Record Period and consistent with its scale of operation.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that may result in prosecution or penalty being brought against us and our Directors confirmed that our Group was in compliance with all relevant environmental laws and regulations in Hong Kong and Macau in all material respects.

### OCCUPATIONAL HEALTH AND WORK SAFETY MEASURES

We place emphasis on occupational health and work safety during the delivery of our services and have adopted a preventive approach with an emphasis on hazard management and risk assessment. To achieve this, we have established safety plans and in-house rules to provide our staff and sub-contractors with a safe and healthy working environment by specifying various safety measures:

- our project team conducts general risk assessment in relation to occupational health and work safety in relation to each specific project;
- for site which involves more than 40 workers, our site safety officer is obliged to inspect the site and monitor the site safety system to ensure the project works are conducted in a safe and proper manner;
- all workers are required to attend site safety briefing sessions and trainings before they commence work on-site. Topics of safety training typically cover safety procedures for performing different types of work, safety procedures for handling chemicals, safety procedures for handling storage, usage and disposal of substances which are hazardous to health, use of personal protective equipment and safe operation of machinery and equipment;
- protective equipment such as safety helmets and belts are provided to our staff and sub-contractors on site to ensure strict compliance with the statutory occupational health and safety laws;
- risk assessments are generally conducted by our Group to identify potential hazards and inflammables arising from handling, storage, usage and disposal of substances hazardous to health; and
- we require our staff and sub-contractors to comply with all applicable legislations, codes and practices and guidance as well as all safety requirements.

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We have also developed and maintained a safety management system where a record of non-compliance with any safety procedure as well as subsequent remedial measures are properly managed and reviewed in order to manage safety and health at all of the sites during the delivery of our services. The safety system is documented in written procedures and supplemented with oral instructions, training and demonstration. Our Directors require strict implementation of the safety system with supervision by the project team and the site safety officer.

### **System of recording and handling accidents and the safety compliance record**

If an accident occurs, the injured worker (including our employees and our subcontractors' employees) is required to report to our 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 (if any) and take statements from the injured worker, witness(es) of the accident (if any) and other personnel in relation to the particular project. Remedial actions will be taken by the project team to remove imminent danger and to prevent reoccurrence of similar accidents in the future. Our safety officer will carry out follow-up inspection to ensure that remedial works are implemented.

In order to ensure our subcontractors' employees comply with our safety measures, we have adopted the following measures:

- If the sub-contractors fail to implement the internal safety guidelines, our site safety officer shall reprimand the sub-contractors.
- Sub-contractors which fail to follow the safety measures of our Group and refuse or fail to rectify the same will be removed from our pre-qualified sub-contractor list in order to improve safety control and to avoid recurrence of accidents.

We believe our occupational health and safety control measures are adequate and comply with applicable occupational health and safety laws, rules and regulations in Hong Kong and Macau in all material respects. During the Track Record Period and up to the Latest Practicable Date:

- we had a zero fatality rate and none of our staff nor our sub-contractors had been involved in any major accident in the course of their employment or in relation to our projects;
- we were not subject to any material claims for personal or property damage, and compensation paid to our staff; and
- the relevant government authorities had not imposed any penalties on us for any non-compliance with any laws and regulations in relation to work safety and occupational health.

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### EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 24 employees. All of those employees were employed in Hong Kong. The following table set forth a breakdown of our employees by department as at the Latest Practicable Date.

<b>Department</b>	<b>Number of employees</b>
Executive Directors and senior management	6
Project management	8
Engineer and plumber	7
Finance and accounting and administration	<u>3</u>
	<u><u>24</u></u>

We believe that our ability to recruit and retain experienced and qualified staff is crucial to our growth and development. We generally recruit our employees from the open market through placing advertisements.

To maintain the service quality of our Group, we encourage our staff to attend external trainings in relation to their job duties when necessary, by reimbursing the expenses in part or in whole, and by providing them with the opportunities to receive on-the-job trainings. We also strive to create a harmonious working environment for our staff.

We consider that we have maintained a positive relationship with our employees during the Track Record Period and up to the Latest Practicable Date. We have not experienced any strike, labour dispute or other labour disturbance which have materially and adversely affected our operations.

Our Group entered into separate service contracts with each of our employees in accordance with the applicable employment laws in Hong Kong and Macau. The remuneration package our Group offers to employees include salary and bonuses. In general, our Group determines employee salaries based on each employee's qualifications, capabilities, position, seniority and past performance. Our Group has designed an annual appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotion.

We have also participated in the mandatory provident fund scheme prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the social insurance scheme in Macau for our relevant employees.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we incurred staff costs of approximately HK\$5.0 million, HK\$7.8 million and HK\$7.5 million respectively.

### Accident Rate Analysis

According to the Labour Department of the HK Government, the accident rate per thousand workers in the construction industry in 2014 and 2015 was 41.9 and 39.1 respectively.

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According to the Labour Affairs Bureau of the Government of Macau, the accident rate per thousand workers in the construction industry in 2014 and 2015 were 23.3 and 25.5 respectively.

Our Directors confirm that, based on the reports received from our Group's sub-contractors and our Group's internal records, there is no occurrence of any accident related to our Group's projects which involve the employees and/or sub-contractors of our Group during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that the minimal accident rate relating to our Group's projects (after taking into account the accidents related to our sub-contractors) is due to the fact that (i) our work does not involve large amount of work at height nor dangerous equipment such as high-voltage cable or heavy machineries, (ii) the main contractors have set out safety requirements which our Group is required to comply with during our work, and (iii) we have also implemented work safety measures, details of which are set out in the section headed "Business — Occupational health and work safety measures".

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

	<b>Construction industry in Hong Kong (Note 1)</b>	<b>Construction industry in Macau (Note 2)</b>	<b>Our Group</b>	
			<b>Hong Kong (Note 3)</b>	<b>Macau (Note 3)</b>
From 1 January to 31 December 2014:				
— Industrial accident rate per 1,000 workers in construction industry	41.9	23.3	0	0
From 1 January to 31 December 2015:				
— Industrial accident rate per 1,000 workers in construction industry	39.1	25.5	0	0
From 1 January 2016 up to Latest Practicable Date:				
— Industrial accident rate per 1,000 workers in construction industry	Not available	Not available	0	0

*Notes:*

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department of the HK Government.
2. The statistics are extracted from the "Relatório de análise estatística relativo aos acidentes de trabalho" (Analysis Report on the Work Injuries Statistics) published by the Labour Affairs Bureau of the Government of Macau.
3. Our Group's accident rate is calculated based on the accidents reported by sub-contractors of our Group and our internal record during the relevant calendar year.

As illustrated above, our Directors confirmed that, the accident rates of our projects were lower than the construction industry average rates in Hong Kong.

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The loss-time-injuries-frequency rates (“LTIFRs”), which is related to the time lost as a result of injuries, is not applicable to our projects. Save and except a small number of members of our project team who are responsible for project supervision, our Group does not have our own workers to carry out the installation works of Water Circulation Systems. We do not impose any specific requirements on the number of workers which our sub-contractors shall arrange to work in a project, so long as our sub-contractors can manage and complete the designated services of the Water Circulation Systems in accordance to our Group’s instructions and within the stipulated timeframe. For any accidents which involve workers of our Group’s sub-contractors, our sub-contractors will be responsible for arranging substitute workers to ensure the completion of the installation work in a timely manner. Despite the aforesaid, even if the LTIFR is applicable to our projects, our Directors confirm that, based on the reports received from our Group’s sub-contractors and our Group’s internal records, there is no loss-time-injuries arising from any accident relating to our Group’s projects which involve the employees and/or sub-contractors of our Group during the Track Record Period and up to the Latest Practicable Date.

### **Anti-corruption commitments to our customers and suppliers**

Our Group has established anti-corruption policy and defined the focus of its anti-corruption measures as follow:

- establish and maintain effective internal control to mitigate the risk of fraud and corruption in our Group’s operations;
- maintain periodical risk assessment and communication with our Board and external auditors on anti-fraud and anti-corruption aspect;
- establish clear reporting channel for suspicious fraud and corruption cases; and
- establish whistle blowing policy and channel for un-named reporting of suspicious fraud and corruption cases and follow-up procedures of these un-named reporting.

According to our staff handbook, we have also advised our staff not to disclose or divulge any confidential information of the Company and its customers directly or indirectly to any other party without our prior written consent.

### **PERMITS, LICENCES AND QUALIFICATIONS**

Given that we delegate the installation works of the Water Circulation Systems to our sub-contractors, we do not require specific permits and licenses under any applicable laws in Hong Kong in relation to the conduct of our business other than a valid business registration certificate.

In general, companies are not required to obtain any approvals, permits or licenses to conduct their business in Macau unless the business relates to an activity which is restricted and governed by specific laws or regulations in Macau (and under which the business would be subject to such approvals, permits or licenses). For example, the execution of “civil construction works” are subject to construction licenses.

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As advised by our Macau legal adviser, given that the provision of design, procurement and installation services of the Water Circulation Systems, such as swimming pools, water fountains, water curtains and spa facilities does not fall within the ambit of “civil construction works” under the Decree-Law no. 79/85/M and is not an activity which is restricted and governed by specific laws or regulations in Macau, we do not require specific approvals, permits and licenses under any applicable laws in Macau in relation to the conduct of our business in Macau. We are only required to obtain valid working visa for our project team from Hong Kong to work in Macau. During the Track Record Period, our employees from Hong Kong who worked in Macau have obtained valid working visas.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 2 registered trademarks in Hong Kong. As at the Latest Practicable Date, we had registered 1 domain name. Further details on our intellectual property rights are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix V in this prospectus.

Save as the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial positions.

Our Directors confirmed that as at the Latest Practicable Date, we had not infringed or were not alleged to infringe any intellectual property rights owned by third parties and we had not been subject to any material intellectual property claims against us or involved in any material intellectual property dispute.

### LEASED PROPERTIES

As at the Latest Practicable Date, we did not own any property.

#### Leased properties in Hong Kong

As at the Latest Practicable Date, we leased the following properties located in Hong Kong:

Address	Landlord	Date of tenancy agreement	Use of the property	Amount of monthly rental	Term of lease
Room 95, 12/F, No. 93–95 Lai Chi Kok Road, Kowloon, Hong Kong	An Independent Third Party	1 June 2016	Office	HK\$8,500	For a term from 1 June 2016 to 31 May 2018 (both days inclusive)
Room 93, 12/F, No. 93–95 Lai Chi Kok Road, Kowloon, Hong Kong	An Independent Third Party	1 June 2016	Office	HK\$8,500	For a term from 1 June 2016 to 31 May 2018 (both days inclusive)

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Address	Landlord	Date of tenancy agreement	Use of the property	Amount of monthly rental	Term of lease
Room 95, 11/F, No. 93-95, Lai Chi Kok Road, Kowloon, Hong Kong	An Independent Third Party	1 June 2016	Office	HK\$8,500	For a term from 1 June 2016 to 31 May 2018 (both days inclusive)
Room 93, 11/F, No. 93-95, Lai Chi Kok Road, Kowloon, Hong Kong	An Independent Third Party	1 June 2016	Office	HK\$8,500	For a term from 1 June 2016 to 31 May 2018 (both days inclusive)
Room 95, 10/F, No. 93-95, Lai Chi Kok Road, Kowloon, Hong Kong	An Independent Third Party	1 June 2016	Office	HK\$8,500	For a term from 1 June 2016 to 31 May 2018 (both days inclusive)
Room 93, 10/F, No. 93-95, Lai Chi Kok Road, Kowloon, Hong Kong	An Independent Third Party	1 June 2016	Office	HK\$8,500	For a term from 1 June 2016 to 31 May 2018 (both days inclusive)
Flat C, 73/F, Block 1, The Arch, No. 1 Austin Road, West Kowloon, Hong Kong ( <i>Note</i> )	An Independent Third Party	1 July 2016	Staff quarter	HK\$45,000	For a term from 1 July 2016 to 30 June 2018 (both days inclusive)
Flat C, 27/F, Vista, 188 Fuk Wa Street, Sham Shui Po, Hong Kong ( <i>Note</i> )	An Independent Third Party	27 September 2016	Staff quarter	HK\$18,000	For a term from 22 October 2016 to 21 October 2018 (both days inclusive)

*Note:* The premises was occupied and used by our executive Director as residence.

As confirmed by our legal advisers as to Hong Kong laws, the lease in respect of those properties in Hong Kong are valid, subsisting and enforceable in accordance with the Hong Kong laws.



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### Leased properties in Macau

As at the Latest Practicable Date, we leased the following properties in Macau:

Address	Landlord	Date of tenancy agreement	Use of the property	Amount of monthly rental	Term of lease
Flat E, 14/F, Kings Ville, Taipa, Macau	An Independent Third Party	9 January 2017	Staff quarter	HK\$16,000	For a term from 10 January 2017 to 9 January 2018 (both days inclusive)
Parking No. 21 at 4/F of King's Ville, Taipa, Macau	An independent Third Party	15 August 2016	Parking	HK\$2,300	For a term from 1 September 2016 to 31 August 2017 (both days inclusive)

As confirmed by our Macau legal adviser, the lease in respect of those properties in Macau are valid, subsisting and enforceable in accordance with the Macau laws.

We had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Chapter 8 of the GEM Listing Rules to include in this prospectus any valuation reports. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Note (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Our Directors confirm that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. Our property rentals and related expenses in relation to the properties leased were HK\$922,000, HK\$1,535,000 and HK\$1,262,000 for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively.

Save as disclosed above, our Group does not have any property interests.

### LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge after having made reasonable enquiries, there was no litigation or arbitration proceedings or claims pending or threatened against us or any of our Directors which would have a material effect on our financial condition or operating results and reputation.

## **LEGAL COMPLIANCE**

### **Late Tax Registration and Tax Filings in respect of Harmony Asia in Macau**

#### ***Background***

During the Track Record Period, Harmony Asia provided design, procurement and installation services of the Water Circulation Systems for projects located in Macau. The income from those Macau projects had been reported in Harmony Asia's accounts and assessed by the Inland Revenue Department of Hong Kong. In addition to the Hong Kong tax exposure, we are advised by our Macau tax adviser, HMV & Associates that Harmony Asia would have Macau profits tax exposure for its project in Macau. In view of the tax advice, Harmony Asia has already applied to the Financial Services Bureau (the "FSB") of Macau for tax registration in Macau and submitted its Macau tax return for the years 2011 to 2015. Based on the advice of our Macau tax adviser and as confirmed by our Macau legal adviser, apart from the related Macau profit tax payables for the years, Harmony Asia would be subject to penalties due to (a) late tax registration in Macau before the commencement of its provision of services ranges from MOP200 up to the maximum of MOP100,000; and (b) late filing of its tax return for 2011 to 2015 ranges from MOP100 up to the maximum of MOP10,000. The potential aggregate maximum penalty charged by FSB against our Group for the late tax registration and tax filings for the five years ended 31 December 2015 is estimated to be approximately MOP550,000 without taken into consideration of the potential reduction of 50%. Given that Harmony Asia took initiative to do the registration and filing, we are advised by the Macau tax adviser and as confirmed by our Macau legal adviser that according to relevant tax regulations in Macau, FSB has the authority to reduce the penalty amount by 50%. Our Controlling Shareholders will indemnify our Group against any penalty that may be imposed by FSB on Harmony Asia pursuant to the Deed of Indemnity.

Since (i) the design and procurement of the Macau projects have been performed in Hong Kong and the installation work has been performed by third party sub-contractors incorporated in Macau; and (ii) all the income from the Macau projects had been reported in Harmony Asia's accounts and reported as taxable income for Hong Kong Profits tax purpose and all the relevant Hong Kong Profits tax had been paid in Hong Kong where the applicable tax rate is 16.5%, our Group was not aware that Harmony Asia was also subject to Macau profits tax for its activities in Macau where the applicable profit tax progressive rates in Macau range from 3% to 12%. The late tax registration and filing in respect of Harmony Asia in Macau was due to our inadequate understanding of the relevant tax regulatory requirements in Macau, and failure to seek proper tax advice from external advisers. Our Directors consider that the abovementioned non-compliance incident did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group.

#### ***Remedial action***

As a remedial measure, as mentioned above, Harmony Asia has already applied to the FSB for tax registration in Macau in June and July 2016 and submitted its Macau tax return for 2014 and 2015 in June 2016 and its Macau tax returns for the years 2011 to 2013 in August 2016. As advised by our Macau tax adviser and as confirmed our Macau legal adviser, it is not required to file the tax return for or before 2010 because the maximum period during which the tax authority can claim against Harmony Asia for unpaid tax is 5 years. As Harmony Asia recorded a project loss for tax years ended 31 December 2011 and 2012, it is not subject to Macau profit tax for the tax years ended 31 December 2011 and 2012; whereas Harmony Asia's project profit for the tax year ended 31 December 2013 did not

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exceed the Complementary Tax thresholds, thus it is not subject to Macau profit tax for the tax year ended 31 December 2013. An aggregate amount of estimated Macau tax payable for Harmony Asia of approximately HK\$0.3 million and HK\$0.8 million for the Macau tax years 2014 and 2015 respectively has already been provided for in the audited consolidated accounts of our Company for the year ended 31 March 2015 and 2016 as set out in Appendix I to this prospectus. Our Macau Tax Adviser is of the view that the total provision of HK\$1.1 million for the 2014 and 2015 is sufficient.

In August and September 2016, we have received the Macau Tax Assessment for 2011 to 2015 from the FSB. Based on the Macau Tax Assessments, there is no profit tax payable for 2011 to 2013; whereas for 2014 and 2015, the profit tax payable is MOP0.3 million (equivalent to HK\$0.3 million) and MOP0.8 million (equivalent to HK\$0.8 million) respectively, which is the same as our Macau tax provision. Up to the Latest Practicable Date, we have paid approximately HK\$1.1 million in aggregate for the tax payables for 2014 and 2015. Up to the Latest Practicable Date, we have not received any request from the FSB for payment of surcharge and/or penalty in relation to the late tax registration nor late tax filing for the years 2011 to 2015. In the event that tax payable by Harmony Asia exceeds the amount provided for in our audited financial statements (i.e. HK\$1.1 million in aggregate), our Controlling Shareholders will indemnify our Group under the Deed of Indemnity. Further, our Controlling Shareholders will indemnify our Group against any penalty that may be imposed by the FSB on Harmony Asia pursuant to the Deed of Indemnity.

### *Internal Control Measures*

We believe that the above non-compliance incidents are not crucial to our operation and would not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of non-compliance incidents. In particular, in order to prevent recurrence of the above non-compliance incidents:

- Our finance and accounting department which will be responsible for tax computation has received training delivered by the external Macau tax adviser. Our finance and accounting department will ensure the completeness of tax filing process of each of the entities in our Group and recording of any tax provision. Before the filing of any tax return, it will be reviewed and approved by our chief financial officer, Mr. Chong Ching Hoi. For further details regarding the experience and qualification of Mr. Chong, please refer to the section headed “Directors and Senior Management — Senior management” in this prospectus. Advice will also be sought from external Macau tax adviser on the tax computation before filing the return;
- Our finance and accounting department will also be responsible for deferred tax assessment every half year and recording any tax provision accordingly. The deferred tax assessment will be reviewed and approved by our chief financial officer;
- Our management team will ensure our finance and accounting department is equipped with personnel having sufficient experience and knowledge on tax issue, tax filing and tax computation and where necessary, advice will be sought from external tax adviser from time to time to ensure that our finance and accounting department will be aware of the regulatory development and changes;

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- Copies of tax returns and reply to tax queries will be properly kept by our finance and accounting department;
- Our finance and accounting department which is responsible for handling all tax related matters of our Group will regularly report to our audit committee on our compliance with tax laws and regulations; and
- Our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations and ensure that our Group has been properly advised on tax matters.

### *Directors' and Sole Sponsor's view*

After due consideration, our Directors are of the view, and the Sole Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective to avoid recurrence of the non-compliance incidents.

Our Directors and the Sole Sponsor consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules. In arriving at their view, our Directors and Sole Sponsor have taken into consideration the followings:

1. The non-compliance incidents were not wilful and principally due to our inadequate understanding of the tax regulatory requirements and did not involve intentional misconduct, fraud, dishonesty or corruption of the part of our Directors;
2. In respect of the late tax registration and tax filings in Macau, it is noted that the Group has reported all its income from Macau projects as taxable income for Hong Kong Profits tax purpose where the applicable tax rate in Hong Kong is higher than that in Macau, indicating that the late tax registration and tax filings in Macau is not intentional for any tax evasion or other improper purpose.
3. Our Directors have taken actions to ratify the non-compliance incidents to the extent practicable and strengthen our internal control system to prevent recurrence of the non-compliance incidents immediately after being informed of the non-compliance incidents; and
4. Other than the non-compliance incidents, our Group has complied with the relevant tax laws and regulations since its establishment.

**FURTHER CORPORATE GOVERNANCE AND INTERNAL CONTROL MEASURES**

Our Company recognises the importance of good corporate governance in management and internal control procedures and intends to adopt or have adopted the following measures:

- Our Directors had attended the trainings conducted by our Company’s Hong Kong legal adviser in respect of the on-going obligations, duties and responsibilities of directors of publicly listed companies in Hong Kong under the Companies Ordinance, the SFO and the GEM Listing Rules;
- We have adopted and implemented comprehensive control policies in respect of various aspects of our business operations such as (i) risk management policies, (ii) anti-bribery policies; (iii) conflict of interest guidelines; and (iv) disclosure guidelines. We strongly encourage our employees to duly observe the abovementioned policies;
- We are committed to the principle that our Board should include a balanced composition of executive and independent non-executive Directors. We believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independence and will be able to provide an impartial, external opinion to protect the interests of our Shareholders;
- We have established an audit committee, with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code, to review and supervise the internal control and procedures for compliance of our Group. The Audit Committee consists of four members, namely Mr. Wu Kam On Keith, Mr. Chong Kam Fung, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack. For details of the qualifications and experience of these committee members, please refer to the section headed “Directors and Senior Management” in this prospectus; and
- We have appointed CLC International Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules, to assist our Board to ensure due compliance of laws, rules and regulations applicable to our Group. Please refer to the section headed “Directors and Senior Management” to this prospectus for further details.

We believe that our internal control systems and current procedures are sufficient in terms of the comprehensiveness, practicability and effectiveness. In February 2016, we have appointed an external independent internal control advisory firm (i) to review and assess our internal control systems (including accounting and management systems); and (ii) to prepare a report to our Company on factual findings and recommendations for improvements on our internal control systems over the abovementioned processes and procedures. As at the Latest Practicable Date, we have implemented the relevant internal control measures based on the recommendation of the external internal control consultant. The external internal control consultant confirmed such modified and new internal control procedures are satisfactorily implemented upon the conduct of follow-up review.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and Public Offering (without taking into account any Shares which may be issued pursuant to the Share Option Scheme), Harmony Asia International will directly hold approximately 56.3% of the issued share capital of our Company. Harmony Asia International is wholly owned by Mr. Nam.

For the purpose of the GEM Listing Rules, Mr. Nam and Harmony Asia International are deemed as the Controlling Shareholders of our Company.

### Information on other companies owned by our Controlling Shareholders and their close associates

As at the Latest Practicable Date, other than the business carried out by our Group, Mr. Nam owns a minority interest of 25% in a company incorporated in Macau, which has ceased to have any business operation. Mr. Nam has confirmed to our Company that the said Macau company has already ceased business operation. Pursuant to the Deed of Non-Competition, Mr. Nam has undertaken to procure the said Macau company not to enter into any contract, arrangement or proposal which may compete, or is likely to compete, either directly or indirectly, with the business of our Group. As at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates controlled any business which competes, or is likely to compete, either directly or indirectly, with our business.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

#### Management independence

Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and that no conflict between his/her duties as a Director and his/her personal interest would be allowed. If there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Director(s) or their respective close associate(s), unless otherwise provided in the Articles, the interested Director(s) shall not vote at the relevant board meeting(s) of our Company in respect of such transactions and shall not be counted towards the quorum.

Three of the members of our Board are independent non-executive Directors who are well-educated, and have extensive experience in different areas and/or are professionals, and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Furthermore, our Board's main functions include devising and approving the overall business plans and strategies of our Group, monitoring the implementation of our Group's policies and strategies and taking into account the reports and advice of the senior management of our Group. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are of the view that they are able to carry out the business decisions of our Group independently and to perform their relevant roles independently of our Controlling Shareholders and their respective associates after the Listing.

### **Operational independence**

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organizational structure made up of individual divisions, each with specific areas of responsibilities, including project management, engineer and plumber, finance and accounting and administration departments.

Wellgo was the third largest supplier of our Group for the year ended 31 March 2015. Wellgo is owned by Mr. Ng Wan Lok, who joined our Group as marketing manager in March 2014 and was appointed as our executive Director on 8 June 2016. At the time when our Group transacted with Wellgo, Mr. Ng Wan Lok was not a director of any members of our Group. All the transactions with Wellgo were conducted in the ordinary course of business of our Group, on arm's length basis and on normal commercial terms. As at the Latest Practicable Date, Wellgo was in the course of being deregistered since it had no longer conducted any business. For further details of the historical transactions between our Group and Wellgo, please refer to the paragraph headed "Major suppliers" in the section headed "Business" in this prospectus. Save as disclosed, during the Track Record Period and up to the Latest Practicable Date, our Group had independent access to suppliers and customers of our Group for its business operations.

During the Track Record Period, our Controlling Shareholder, Mr. Nam, has provided a personal guarantee in support of due performance of our Group of a project undertaken by our Group in Macau. The personal guarantee has been released and replaced by the corporate guarantee provided by Harmony Asia, the subsidiary of our Company.

Considering the operation status of our Group, our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

### **Financial independence**

Our Group has an independent financial system, and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and adequate internal resources to support our daily operations.

During the Track Record Period, our Controlling Shareholder, Mr. Nam, has provided unlimited personal guarantee as security in support of the bank loan facilities granted to our Group. Our Directors confirm that confirmation has been obtained from the relevant banks and the said guarantee will be replaced by corporate guarantee provided by our Company upon Listing.



## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from its Controlling Shareholders or their respective associates. As at the Latest Practicable Date, all loans and advances due from/to the Controlling Shareholders or their respective associates have already been fully settled. The Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on the Controlling Shareholders or any of their respective close associates.

### **RULE 11.04 OF THE GEM LISTING RULES**

The Controlling Shareholders, the Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

### **DEED OF NON-COMPETITION**

To ensure that direct competition does not develop between us and the activities of the Controlling Shareholders, each of Harmony Asia International and Mr. Nam has agreed to provide a non-competition undertaking in our favor, the principal terms of which are described below.

Each of Harmony Asia International and Mr. Nam has entered into the Deed of Non-Competition in favor of our Company, pursuant to which each of Harmony Asia International and Mr. Nam has undertaken to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) that they would not, and they would use their best endeavors to procure that their close associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group (the "Restricted Business").

The above undertaking does not preclude Harmony Asia International and Mr. Nam from having an aggregate interest in:

- (a) not more than 5% of the issued shares in any company engaging any Restricted Business (the "Subject Company") which is or whose holding company is listed on any recognized exchange; or
- (b) not more than 5% of the Subject Company's consolidated turnover or assets, as shown in the Subject Company's latest audited accounts, provided that there is a holder (with its close associates where appropriate) with a larger shareholding in the Subject Company than the aggregate shareholding held by any of Harmony Asia International and Mr. Nam and/or their respective close associates and the total number of representatives of any of Harmony Asia International and Mr. Nam on the board of directors of the Subject Company is not significantly disproportionate in relation to his or its shareholding in the Subject Company.



## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

If any investment or other business opportunity relating to our business (“Business Opportunity”) is identified by Harmony Asia International and Mr. Nam, they shall refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Board or a board committee which do not have a material interest in the Business Opportunity declines the Business Opportunity.

Pursuant to the Deed of Non-Competition, the above restrictions would only cease to have effect on the earliest of the date on which Harmony Asia International and Mr. Nam cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital of our Company, or otherwise cease to be Controlling Shareholders or the Shares cease to be listed and traded on the Stock Exchange.

Further, the independent non-executive Directors will review, on an annual basis, the compliance of Harmony Asia International and Mr. Nam with the Deed of Non-Competition (in particular, the right of refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and the enforcement of the Deed of Non-Competition in our annual report or by way of announcement to the public.

### **CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS**

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and ensure due performance of the Deed of Non-Competition so as to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will be responsible for considering and deciding as to whether to pursue or decline the Business Opportunity;
- (b) our Controlling Shareholders undertake to provide all details reasonably necessary for our Company to consider whether to pursue such Business Opportunity, and if there is any material change in the nature, terms or conditions of such Business Opportunity, our Controlling Shareholders shall refer such Business Opportunity to our Company as if it were a new Business Opportunity;
- (c) if appropriate, our independent non-executive Directors may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;
- (d) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors in respect of the compliance with the Deed of Non-Competition;
- (e) our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-Competition, in particular the right of refusal relating to any Business Opportunity and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-Competition in our annual report or by way of announcement to public; and
- (f) adoption of the Articles which provides that a Director shall not vote on any resolutions of the Board in relation to any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested and shall not be counted in the quorum of the meeting where such resolution is considered, unless otherwise provided in the Articles.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

The Board consists of eight Directors, among which there are three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors and senior management are involved in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Brief description of roles and responsibilities
Mr. Nam Ho Kwan (藍浩鈞)	45	3 November 2006	23 November 2015	Chairman, Chief Executive Officer and Executive Director	Formulating the overall business development strategy and planning; overseeing our Group's performance and management
Mr. Ng Wan Lok (吳蘊樂)	49	24 March 2014	8 June 2016	Executive Director	Managing and supervising the operations of projects of our Group
Ms. Wong Wing Hung (王詠紅)	43	3 November 2006	8 June 2016	Executive Director	Overseeing project tendering and administration
Mr. Tan Kean Ee (陳鏗亦)	28	8 June 2016	8 June 2016	Non-executive Director	Rendering advice on financing and fund raising in support of development of our Group
Mr. Chong Kam Fung (莊金峰)	37	8 June 2016	8 June 2016	Non-executive Director	Rendering advice on overall corporate financial matters, capital management, investor relations and strategic planning of our Group
Mr. Wu Kam On Keith (鄺錦安)	42	19 January 2017	19 January 2017	Independent non-executive Director	Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee
Ms. Chan So Fong (陳素芳)	43	19 January 2017	19 January 2017	Independent non-executive Director	Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee
Mr. Kwong Tsz Ching Jack (鄺子程)	34	19 January 2017	19 January 2017	Independent non-executive Director	Member of the Audit Committee, the Remuneration Committee and the Nomination Committee

## DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information in respect of the senior management of our Group:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Brief description of roles and responsibilities
Mr. Chong Ching Hoi (莊清凱)	34	1 March 2016	1 March 2016	Chief Financial Officer and Company Secretary	Handling and overseeing the financial reporting, financial planning and reviewing internal control of our Group
Ms. Tong Sau Wai (湯秀慧)	34	17 August 2015	17 August 2015	Operation and Human Resources Manager	Project management, supervising overall site and office activities, recruitment and human resources matters and staff administration of our Group
Mr. Yeung Yuen Wang (楊元宏)	31	2 October 2013	1 June 2015	Project Manager	Project management, supervising and overseeing site activities of our Group

### Executive Directors

**Mr. Nam Ho Kwan (藍浩鈞)**, aged 45, our founder, Chairman, Chief Executive Officer and Executive Director. He is mainly responsible for formulating the overall business development strategy and planning; overseeing our Group's performance and management; and leading and representing our Group in negotiation with potential business partner.

In November 1994, Mr. Nam obtained a Bachelor of Engineering in Mechanical Engineering from The Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). Subsequently, he completed the "ISO 9001:2000 Training Course (Module 1)", the "ISO 9001:2000 Implementation Training Course (Module 2)", the "ISO 9001:2000 Internal Audit Training Course (Module 3)" and the "ISO 9001:2000 Management System "Lean & Green"™ Training Course (Module 4)" organized by Hong Kong Productivity Council in 2002.

After obtaining the aforesaid Bachelor of Engineering, Mr. Nam gained working experience in the water landscape design and construction industry for about 22 years, during which he founded our Group in November 2006. Before establishing our Group, Mr. Nam was a marketing manager of a company engaged in the design and installation of water filtration system from 2002 to 2005.

Mr. Nam was a director of the following companies, all of which were incorporated in Hong Kong with limited liability and were dissolved by way of striking off or on a voluntary basis by deregistration as these companies ceased to carry on any business. As confirmed by Mr. Nam, each of these companies

## DIRECTORS AND SENIOR MANAGEMENT

was inactive at the time when they were dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Company Name	Nature of Business before Dissolution	Nature of proceeding	Date of Dissolution
Watech (Hong Kong) Limited (極水(香港)有限公司)	Design and installation of water filtration system	Deregistration	26 February 2010
Harmony Project Limited (浩栢有限公司)	Design and installation of water filtration system	Striking off <i>(Note)</i>	17 April 2015
Fortune Universe Limited (富顯有限公司)	Design and installation of water filtration system	Striking off <i>(Note)</i>	4 September 2015

*Note:* The above companies had ceased business prior to the commencement of the Track Record Period. Pursuant to the Companies Ordinance, the Registrar of Companies in Hong Kong may strike the name of a company off the Companies Register if the Registrar of Companies in Hong Kong has reasonable cause to believe that it is not in operation or carrying on business.

**Mr. Ng Wan Lok (吳蘊樂)**, aged 49, was appointed as an executive Director on 8 June 2016. He joined our Group as a marketing manager in March 2014 and has been mainly responsible for managing and supervising the operations of projects of our Group.

He obtained a post-graduate certificate in Information Technology from the Hong Kong Management Association in September 1994 and further obtained a Bachelor's degree in Computer Science from Victoria University of Technology in November 1996.

Mr. Ng has about 24 years of experience in project management. He had worked in various companies and was responsible for project development, managing manufacturing operation and handling product sales and development. Before joining our Group, Mr. Ng was a Manager of Wellgo from August 2007 to February 2014 and he was mainly responsible for handling the trading business of consumer electronics.

Mr. Ng was a director of the following companies, all of which were incorporated in Hong Kong with limited liability and were dissolved on a voluntary basis by way of deregistration as these companies ceased to carry on business. As confirmed by Mr. Ng, each of these companies was inactive at the time when they were dissolved and there was no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolutions.

Company Name	Nature of Business before Dissolution	Nature of proceeding	Date of Dissolution
Rise Spread Investment Limited (振揚投資有限公司)	Dormant	Deregistration	30 January 2009
Wellgo International Limited (運高國際有限公司)	Trading	Deregistration	7 March 2014

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Wong Wing Hung** (王詠紅), aged 43, was appointed as an executive Director on 8 June 2016. She joined our Group as a project administrator in November 2006 and has been responsible for project tendering and administration as well as project accounting of our Group.

She obtained a Bachelor's degree in Business Administration from the Open University of Hong Kong in June 2003. She also completed "ISO 9000:2000 Internal Auditor Training Course" organized by Hong Kong Quality Assurance Agency in November 2001.

She has about 18 years of experience in project tendering, accounting and administration. Before joining our Group, she was project secretary for companies engaged in design and installation of water filtration system. The following table sets forth the working experience of Ms. Wong:

<b>Period</b>	<b>Employer</b>	<b>Last position</b>
February 1998–August 2002	Dawn Enterprise Limited	Project Secretary
November 2002–October 2004	P&A Engineering Limited	Assistant to Manager
November 2004–September 2005	Harmony Project Limited	Project Secretary
September 2005–July 2006	Fortune Universe Limited	Project Secretary

### **Non-executive Directors**

**Mr. Tan Kean Ee** (陳鏗亦), aged 28, was appointed as a non-executive Director on 8 June 2016 and is mainly responsible for rendering advice on financing and fund raising in support of the development of our Group.

He obtained a Bachelor's degree in Business Administration in Marketing and Information Systems from the Hong Kong University of Science and Technology in November 2011, during which he attended the Autumn Term from October 2010 to December 2010 in The University of Warwick, United Kingdom.

After graduation, Mr. Tan joined Chongxay Rubber Company Limited as a project manager from 2011 to 2014 and he was mainly responsible for financing and fund raising for the projects. He is a director of Global Equity Value Fund SPC FRO Capital Fund I SP, our substantial Shareholder (within the meaning of the GEM Listing Rules).

**Mr. Chong Kam Fung** (莊金峰), aged 37, was appointed as a non-executive Director on 8 June 2016 and is mainly responsible for the overall corporate financial matters, capital management, investor relations and strategic planning of our Group. He is a fellow of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. He is currently the company secretary of Ahsay Backup Software Development Company Limited (亞勢備份軟件開發有限公司), a company listed on the GEM of the Stock Exchange (Stock Code: 8290).

Mr. Chong obtained a Bachelor of Arts in Accountancy with First Class Honours from the Hong Kong Polytechnic University in December 2006. From March 2006 to January 2013, Mr. Chong worked in an international accounting firm in Hong Kong with his last position being senior manager.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chong was a director of Harvestseedsynco Advisory Limited (穗智盛信諮詢有限公司), a company incorporated in Hong Kong with limited liability and principally engaged in company secretarial services. It was dissolved on a voluntary basis by way of deregistration on 17 April 2015 as the company ceased to carry on business. As confirmed by Mr. Chong, the company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

### Independent Non-executive Directors

**Mr. Wu Kam On Keith (鄺錦安)**, aged 42, was appointed as an independent non-executive Director on 19 January 2017. He is currently and has been an independent non-executive director of Fulum Group Holdings Limited (富臨集團控股有限公司), a listed company on the Main Board of the Stock Exchange (Stock Code: 1443), since October 2014. In July 2005, Mr. Wu joined Tsit Wing International Holdings Ltd. and is currently an executive director and the chief financial officer of Tsit Wing International Holdings Ltd. Prior to that, he was an accountant of Hong Kong International Terminals Limited from April 2001 to June 2004 and practised as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000. These past and present positions have given Mr. Wu over 19 years of financial and accounting experience.

Mr. Wu received a Bachelor's degree in Accountancy from the City University of Hong Kong in November 1997 and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in October 2009. He was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in September 2008 and an associate of The Hong Kong Institute of Chartered Secretaries in April 2010. He has also been a fellow of the Taxation Institute of Hong Kong since July 2010 and an elected associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom since April 2010.

Mr. Wu was a director of TMS Holdings Limited, company incorporated in Hong Kong with limited liability and an investment holding company. It was dissolved on a voluntary basis by way of deregistration on 7 December 2012 as the company ceased to carry on business. As confirmed by Mr. Wu, the company was inactive at the time when it was dissolved and there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

**Ms. Chan So Fong (陳素芳)**, aged 43, was appointed as an independent non-executive Director on 19 January 2017. She is and has been an Associate of Hong Kong Institute of Certified Public Accountant since July 2001 and a Fellow of The Association of Chartered Certified Accountants since November 2005. She is currently a director of certain private companies incorporated in Hong Kong, namely South Zone Holdings Limited, Flamingo Consultants Limited, CCF Investment Limited, China Mingmen Investment Group Limited, One World (Extreme Sport) Limited and DATAM Tech Limited.

She obtained a Bachelor of Business Administration from The Chinese University of Hong Kong in December 1996. After her graduation, she worked in various companies from October 1996 to August 2004, including Ernst & Young, in which she was mainly responsible for accounting, auditing and financial management.

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan then worked as an Assistant Financial Controller and Qualified Accountant of Dawnrays Pharmaceutical (Holdings) Ltd (東瑞製藥(控股)有限公司), a company listed on the Stock Exchange (Stock Code: 2348) from September 2004 to July 2005 and a Chief Financial Officer of Sino Distillery Group Limited (中國釀酒集團有限公司) (now known as China Beidahuang Industry Group Holdings Ltd.), a company listed on the Stock Exchange (Stock Code: 39) from August 2005 to May 2013.

**Mr. Kwong Tsz Ching Jack (鄺子程)**, aged 34, was appointed as an independent non-executive Director on 19 January 2017. He is currently and has been an independent non-executive director of PPS International (Holdings) Limited (寶聯控股有限公司), a company listed on the GEM of the Stock Exchange (Stock Code: 8201), since April 2016. He is practising in Hong Kong and is currently an associate of a firm of solicitors in Hong Kong.

He obtained a Bachelor's degree in Laws from City University of Hong Kong in November 2004, a Postgraduate Certificate in Laws in July 2005 and a Master's degree in Laws in Commercial and Corporate Law from King's College London, United Kingdom in November 2006 and was admitted to practise as a solicitor in Hong Kong in October 2008.

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of the senior management, substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(w) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

Each of our independent non-executive Directors has also confirmed his independence for the purpose of Rule 5.09 of the GEM Listing Rules.

### **ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER PERFORMED BY THE SAME INDIVIDUAL**

Pursuant to Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Nam is currently the Chairman of the Board and our Chief Executive Officer, responsible for formulating the overall business development strategy and planning of our Group. In view that Mr. Nam has been responsible for the overall management of our Group since its inception, the Board believes that it is in the best interest of our Group to have Mr. Nam taking up both roles for effective management and business development. Our Board considers that the balance of power and authority, accountability and independent decision-making under our present arrangement will not be impaired because of the diverse background and experience of our non-executive Directors and independent non-executive Directors. Further, our Audit Committee has free and direct access to our Company's external auditors and independent professional advisers when it considers necessary. Therefore our Directors consider that the deviation from Code Provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.



## DIRECTORS AND SENIOR MANAGEMENT

In order to maintain good corporate governance and to fully comply with Code Provision A.2.1 of the Corporate Governance Code, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

### SENIOR MANAGEMENT

**Mr. Chong Ching Hoi (莊清凱)**, aged 34, joined our Group in March 2016 as the chief financial officer of our Group and he was appointed as our company secretary of our Company on 8 June 2016. He is mainly responsible for handling and overseeing the financial reporting, financial planning and reviewing internal control of our Group. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

Mr. Chong obtained Bachelor degree of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2004. After graduation, he worked in various accounting and audit firms and was mainly responsible for preparing financial statements, reviewing and implementing financial policies and internal control procedures and supervising accounting teams in Hong Kong and the PRC. He has more than 8 years of experience in accounting and audit. Before joining our Group, Mr. Chong was the chief financial officer and company secretary of China Yuanbang Property Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited, (Stock Code: BCD.SI) from November 2012 to March 2016 and he was responsible for the preparation of financial statements as well as reviewing and developing effective financial policies and control procedures.

**Ms. Tong Sau Wai (湯秀慧)**, aged 34, is the operation and human resources manager of our Group. She joined our Group in August 2015 and has been mainly responsible for project management, supervising overall site and office activities, recruitment and human resources matters and staff administration of our Group. She obtained a Professional Diploma in Marketing Management from The Hong Kong Management Association in July 2009 and completed a course of instruction in Project Management Professional (PMP)<sup>®</sup> Preparation Course at Informatics Education (HK) Limited in March 2015. She has more than 8 years of experience in office administration and has involved in project management of various fixture installation and fit out work of shopping malls in, including but not limited to, Hong Kong, Macau and the PRC.

**Mr. Yeung Yuen Wang (楊元宏)**, aged 31, is the project manager of our Group. He joined our Group in October 2013 as a project engineer. He is responsible for project management and supervising and overseeing site activities of our Group. Mr. Yeung obtained a Higher Diploma in Environmental Engineering and Energy Management from the Hong Kong Institute of Vocational Education in July 2008. He has more than 7 years of experience in the engineering and construction field. Before joining our Group, he worked at Perricom Pool Equipments & Engineering Company Limited from July 2008 to September 2013 with his last position being Assistant Project Manager.

### COMPANY SECRETARY

**Mr. Chong Ching Hoi (莊清凱)**, aged 34, was appointed as our company secretary of our Company on 8 June 2016. For his biographical details, please refer to the section headed “Directors and Senior Management — Senior management” in this prospectus.



## DIRECTORS AND SENIOR MANAGEMENT

### COMPLIANCE OFFICER

**Ms. Wong Wing Hung (王詠紅)** is the compliance officer of our Company. For her biographical details, please refer to the above section headed “Directors and Senior Management — Directors — Executive Directors” in this prospectus.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed CLC International as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Public Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, that is, the distribution of our Company’s annual report of its financial results for the year ending 31 March 2020, or until the agreement is terminated, whichever is the earlier.

### BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Audit committee**

Our Company established the Audit Committee pursuant to a resolution of the Directors passed on 19 January 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the

## **DIRECTORS AND SENIOR MANAGEMENT**

procedures of the internal control procedures of our Group. The Audit Committee consists of four members, namely Mr. Wu Kam On Keith, Mr. Chong Kam Fung, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack. Mr. Wu Kam On Keith is the chairman of the Audit Committee.

### **Remuneration committee**

Our Company established the Remuneration Committee on 19 January 2017 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of the Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of four members, namely Ms. Chan So Fong, Mr. Tan Kean Ee, Mr. Wu Kam On Keith and Mr. Kwong Tsz Ching Jack. Ms. Chan So Fong is the chairman of the Remuneration Committee.

### **Nomination committee**

Our Company established the Nomination Committee on 19 January 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of four members, namely Mr. Nam, Mr. Wu Kam On Keith, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack. Mr. Nam is the chairman of the Nomination Committee.

## **CORPORATE GOVERNANCE**

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Save as the deviation from Code provision A.2.1 of the Corporate Governance Code as disclosed in this section, our Company will comply with the Corporate Governance Code and the associated GEM Listing Rules.

## **DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION**

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the Directors for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 were approximately HK\$1,746,000, HK\$2,362,000 and HK\$2,060,000 respectively.

Our Group's five highest paid individuals included three, three and three Directors for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Excluding the three, three and three Directors, the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the remaining highest paid individuals for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 were approximately HK\$916,000, HK\$1,172,000 and HK1,020,000 respectively.

## **DIRECTORS AND SENIOR MANAGEMENT**

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group's five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group's five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 11 in the Accountant's Report set out in Appendix I to this prospectus.

### **EMPLOYEES**

As at the Latest Practicable Date, our Group had 24 full-time employees. For details about our employees and staff policy, please refer to the paragraph headed "Business — Employees" in this prospectus.

#### **Relationship with employees**

Our Directors believe that our Group maintains good working relationships with our employees. Our Group has not encountered any difficulty in the recruitment and retention of staff for our operations or experienced any material disruption of our operations as a result of labour disputes since the establishment of our business.

### **STAFF BENEFITS**

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 as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme on 12 May 2017 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Public Offering (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries:

### Long position in the Shares

Name	Capacity/nature	Number of Shares held/interested immediately following completion of the Public Offering	Percentage of shareholding immediately following completion of the Public Offering
Harmony Asia International	Beneficial owner	731,250,000	56.3%
Mr. Nam	Interest in controlled corporation ( <i>Note</i> )	731,250,000	56.3%
First Pre-IPO Investor	Beneficial owner	134,160,000	10.3%
Second Pre-IPO Investor	Beneficial owner	109,590,000	8.4%

*Note:* Harmony Asia International is a company incorporated in Samoa and wholly owned by Mr. Nam. Therefore, Mr. Nam is deemed to be interested in all the Shares held by Harmony Asia International for the purposes of the SFO.

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Public Offering (without taking into account any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about the Company — 6. Repurchase of the Shares by the Company” in Appendix V to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

## SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

*HK\$*

Authorised:

<u>2,000,000,000</u> Shares	<u>20,000,000</u>
-----------------------------	-------------------

Shares issued and fully paid or credited as fully paid:

10,000 Shares in issue as at the date of this prospectus	100
974,990,000 Shares to be issued under the Capitalisation Issue	9,749,900
<u>325,000,000</u> Shares to be issued under the Public Offering	<u>3,250,000</u>
 <u>1,300,000,000</u> Shares	 <u>13,000,000</u>

### Assumptions

The above table assumes that the Capitalisation Issue and the Public Offering become unconditional but takes no account of any Shares which may be allotted and issued pursuant to the exercise of 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 pursuant to the general mandates as described below.

### Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalisation Issue.

### Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

### General mandate to issue new Shares

Subject to the Public Offering being unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the aggregate of:

1. 20% of the total nominal amount of the Shares in issue immediately following completion of the Capitalisation Issue and the Public Offering; and
2. the total nominal amount of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed “General mandate to repurchase Shares” below.

## SHARE CAPITAL

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under a 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 scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with its Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Capitalisation Issue and the Public Offering.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

For further details of this general mandate, please see the paragraph headed "Written shareholders' resolutions of the Company passed on 12 May 2017" in the section headed "Further information about the Company" in Appendix V to this prospectus.

### **General mandate to repurchase Shares**

Subject to the Public Offering being 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 amount of not more than 10% of the total nominal amount of the Shares issued and to be issued immediately following the completion of the Capitalisation Issue and the Public Offering.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules and all applicable laws. A summary of the relevant requirements in the GEM Listing Rules is set out in the paragraph headed "Repurchase of the Shares by the Company" in the section headed "Further information about the Company" in Appendix V to this prospectus.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

## SHARE CAPITAL

For further details of this general mandate, please see the paragraph headed “Written shareholders’ resolutions of the Company passed on 12 May 2017” in the section headed “Further information about the Company” in Appendix V in this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the sub-section headed “Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to the sub-section headed “Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in Appendix IV to this prospectus.

## FINANCIAL INFORMATION

*The following discussion and analysis of our financial condition and operating results should be read in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountants' Report included as Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

*This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out under "Risk Factors" and elsewhere in this prospectus.*

### OVERVIEW

We are a Hong Kong-based contractor specialises in design, procurement and installation services of the Water Circulation Systems, including swimming pools, water fountains and water curtains, etc. We provide services mainly to developers, main contractors and sub-contractors in various private residence projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our revenue was approximately HK\$57.2 million, HK\$90.9 million and HK\$67.2 million, respectively. For the years ended 31 March 2015 and 2016, our net profit was approximately HK\$6.7 million and HK\$9.6 million respectively, and for the eight months ended 30 November 2016, our net loss was approximately HK\$1.6 million. The net loss was mainly due to the recognition of listing expenses of approximately HK\$10.0 million for the eight months ended 30 November 2016.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2015. In preparation of the Listing, the companies now comprising the Group underwent a series of reorganisation, details of which are explained in the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

Upon completion of the reorganisation, the Company became the holding company of the companies now comprising the Group. The companies now comprising the Group were under common control of the Controlling Shareholder, Mr. Nam, before and after the Reorganisation. Accordingly, the financial information of our Group has been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where it is a shorter period. Further details of the basis of preparation of our financial statements are detailed in Note 1 headed "Basis of presentation of financial information" of the Accountants' Report in Appendix I to this prospectus.



## FINANCIAL INFORMATION

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations and financial condition have been and will continue to be affected by a number of factors, most of which may be beyond our control, including those factors set out in the section headed “Risk Factors” in this prospectus and those set out below.

#### **Market demand for water features**

We derive our revenue mainly from management contracting services, the demand of which relates to the number of private residence projects and hotel, casino, shopping and recreation complex projects in Hong Kong and Macau. The availability of projects in Hong Kong depends on a variety of factors, including, the supply of land, population growth, general economic condition, government policies, etc.; whereas the availability of projects in Macau depends on a variety of factors, including, the development of tourism and gaming industry, general economic condition, government policies, etc. Our revenue was affected by the number and size of projects we undertook during the Track Record Period. Any increase or decrease in the demand for the water features in those projects would therefore affect the demand of our services. There is no assurance that the number and size of projects will not reduce in the future and any reduction in the number and size of projects in Hong Kong or Macau would adversely and materially affect our business in general and our results of operation.

#### **Cost control and management**

Cost of consumables and sub-contracting fees are the main components of our costs of services. These two components of costs in aggregate amounted to approximately HK\$36.3 million, HK\$59.2 million and HK\$43.4 million respectively, representing approximately 85.1%, 88.0% and 87.6% of our costs of services for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Our ability to control and manage the cost of consumables and sub-contracting fees is crucial to our profitability.

The price of each contract with our customers is determined with reference to our tender and substantially agreed to at the time a project is awarded. Although we determine our project bid prices based on cost-plus basis with reference to the time and costs estimated to be involved in a project, the actual time and costs involved in completing our projects may be adversely affected by a number of uncontrollable or unforeseen factors, including labour shortage, cost escalation of consumables and sub-contractors, adverse weather conditions and unforeseen site condition. As such, we may fail to accurately estimate the completion costs. If the costs for a project exceed the estimated costs or the contract price, we may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect our profitability and results of operation.

#### **Collectability and timing of collection of our trade debtors and retention monies receivables**

We normally receive progress payments from our customers with reference to the value of works done. A portion of such payment, usually 10% and up to a maximum limit of 5% of the contract sum (subject to variation orders), is usually withheld by our customers as retention monies, which will be released to us after the expiry of the defect liability period and the issuance of the final accounts of the project. Accordingly, there is no assurance that our fees and retention monies will be released by our

## FINANCIAL INFORMATION

customers to us on a timely basis and in full. Any late payment, whether arising from payment practices of our customers, delay in reaching an agreement on the final account with our customers or delay in completion of the project, may adversely affect our liquidity position.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

Our financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our results of operations and financial position and are set forth in Note 3 of the Accountants' Report in Appendix I to this prospectus.

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each year ended 31 March 2015 and 2016 and the eight months ended 30 November 2016. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affect in the future. These key assumptions and estimates are set forth in Note 4 of the Accountants' Report in Appendix I to this prospectus.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

#### **Accounting policies**

##### *Revenue recognition*

Please refer to Note 3 headed "Significant accounting policies — revenue recognition" of the Accountants' Report in Appendix I to this prospectus.

##### *Construction contracts*

Please refer to Note 3 headed "Significant accounting policies — construction contracts" of the Accountants' Report in Appendix I to this prospectus.

#### **Accounting estimates**

##### *Construction contracts*

Please refer to Note 4 headed "Key sources of estimation uncertainty — construction contracts" of the Accountants' Report in Appendix I to this prospectus.

### **RESULTS OF OPERATIONS**

The table below sets out financial information on the consolidated results of our Group for the years/periods indicated, which is derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus.

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### A. FINANCIAL INFORMATION

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

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	57,153	90,905	54,911	67,238
Cost of services	<u>(42,726)</u>	<u>(67,264)</u>	<u>(40,776)</u>	<u>(49,499)</u>
Gross profit	14,427	23,641	14,135	17,739
Other income	—	15	10	9
Administrative expenses	(5,110)	(8,613)	(5,447)	(7,494)
Other expenses	—	(2,597)	—	(10,005)
Finance costs	<u>(372)</u>	<u>(638)</u>	<u>(438)</u>	<u>(626)</u>
Profit (loss) before tax	8,945	11,808	8,260	(377)
Income tax expense	<u>(2,219)</u>	<u>(2,199)</u>	<u>(1,256)</u>	<u>(1,238)</u>
Profit (loss) and total comprehensive income (expense) for the year/period	<u>6,726</u>	<u>9,609</u>	<u>7,004</u>	<u>(1,615)</u>
Earnings per share				
Basic (HK cents)	<u>0.92</u>	<u>1.28</u>	<u>0.96</u>	<u>(0.17)</u>

#### Revenue

We generate our revenue from projects where we provide our services in Hong Kong and Macau. During the Track Record Period, our total revenue amounted to approximately HK\$57.2 million, HK\$90.9 million and HK\$67.2 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively, which was mainly derived from three types of services: (i) management contracting services; (ii) consultancy services; and (iii) maintenance services.

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The following table sets out the breakdown of our revenue derived from the following service segments for the years/periods indicated:

	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Management contracting services	53,114	92.9	89,823	98.8	53,928	98.2	64,892	96.5
Consultancy services	3,963	7.0	1,017	1.1	940	1.7	2,279	3.4
Maintenance services	76	0.1	65	0.1	43	0.1	67	0.1
Total:	<u>57,153</u>	<u>100.0</u>	<u>90,905</u>	<u>100.0</u>	<u>54,911</u>	<u>100.0</u>	<u>67,238</u>	<u>100.0</u>

(I) *Management contracting services*

Management contracting services mainly involve provision of design, procurement and installation services of Water Circulation Systems.

During the Track Record Period, the revenue generated from management contracting services is our largest source of income, representing approximately 92.9%, 98.8% and 96.5% of our total revenue for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Our revenue from management contracting services increased by approximately HK\$36.7 million or approximately 69.1% from approximately HK\$53.1 million for the year ended 31 March 2015 to approximately HK\$89.8 million for the year ended 31 March 2016, and increased by approximately HK\$11.0 million or approximately 20.3% from approximately HK\$53.9 million for the eight months ended 30 November 2015 to approximately HK\$64.9 million for the eight months ended 30 November 2016. The segment revenue from management contracting services is primarily driven by the number, size and types of projects involved.

Our revenue from management contracting services is recognised based on the percentage of completion of the contracts at the end of each reporting period. The percentage of completion is determined based on the direct proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.



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### (II) Consultancy services

Consultancy services mainly involve provision of consultancy services on design of Water Circulation Systems.

Our revenue from consultancy services decreased by approximately HK\$3.0 million or approximately 74.3% from approximately HK\$4.0 million for the year ended 31 March 2015 to approximately HK\$1.0 million for the year ended 31 March 2016, and increased by approximately HK\$1.3 million or approximately 142.4% from approximately HK\$0.9 million for the eight months ended 30 November 2015 to approximately HK\$2.3 million for the eight months ended 30 November 2016. The segment revenue from consultancy services is primarily driven by the number, size and complexity of projects involved.

Our revenue from consultancy services is recognised when the services are rendered to the customers upon delivery of the design work.

### (III) Maintenance services

Maintenance services involve provision of maintenance and repair services for Water Circulation Systems and replacement of parts.

Our revenue from maintenance services decreased by approximately HK\$11,000 or approximately 14.5% from approximately HK\$76,000 for the year ended 31 March 2015 to approximately HK\$65,000 for the year ended 31 March 2016, and increased by approximately HK\$24,000 or approximately 55.8% from approximately HK\$43,000 for the eight months ended 30 November 2015 to approximately HK\$67,000 for the eight months ended 30 November 2016. The segment revenue from maintenance services is primarily driven by the size and scope of services.

Our revenue from maintenance services is recognised when the services are rendered to the customers by conducting check up and/or replacement of parts.

The following table sets out the breakdown of our revenue by geographical locations of projects for the years/periods indicated:

	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Macau	32,240	56.4	69,576	76.5	41,758	76.0	31,535	46.9
Hong Kong	24,913	43.6	21,329	23.5	13,153	24.0	35,703	53.1
Total:	<u>57,153</u>	<u>100.0</u>	<u>90,905</u>	<u>100.0</u>	<u>54,911</u>	<u>100.0</u>	<u>67,238</u>	<u>100.0</u>

During the Track Record Period, we generated revenue from projects in Hong Kong and Macau. Our projects mainly involved provision of design, procurement and installation services of the Water Circulation Systems of hotel, casino, shopping and recreation complex and private residence in Hong Kong and Macau. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, 56.4%, 76.5% and 46.9% of our total revenue was derived from our projects in Macau. Our revenue derived from projects in Macau increased by approximately HK\$37.3 million, or

## FINANCIAL INFORMATION

approximately 115.8% from approximately HK\$32.2 million for the year ended 31 March 2015 to approximately HK\$69.6 million for the year ended 31 March 2016, such growth was primarily driven by increased number of variation orders of the Project A. Our revenue derived from projects in Macau decreased by approximately HK\$10.2 million, or approximately 24.5% from approximately HK\$41.8 million for the eight months ended 30 November 2015 to approximately HK\$31.5 million for the eight months ended 30 November 2016, such decline was primarily due to decrease in revenue recognised for Project A as it got closer to the expected completion date, but the decline was partially offset by increase in revenue recognised for another hotel and casino project in Macau. Our revenue derived from projects in Hong Kong remained relatively stable, amounted to approximately HK\$24.9 million and HK\$21.3 million for the years ended 31 March 2015 and 2016 respectively. Our revenue derived from projects in Hong Kong increased by approximately HK\$22.6 million or approximately 171.4% from approximately HK\$13.2 million for the eight months ended 30 November 2015 to approximately HK\$35.7 million for the eight months ended 30 November 2016, such increase was primarily derived from revenue from projects located at Western District, Kennedy Town and So Kwun Wat, Tuen Mun.

### Cost of services

Our total costs of services amounted to approximately HK\$42.7 million, HK\$67.3 million and HK\$49.5 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively.

The following table sets out the summary of our costs of services for the years/periods indicated:

	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Consumables	26,759	62.7	32,159	47.8	22,881	56.1	26,251	53.0
Sub-contracting fees	9,580	22.4	27,033	40.2	13,234	32.4	17,099	34.6
Staff costs	3,295	7.7	4,314	6.4	2,515	6.2	3,702	7.5
Consulting fees	1,741	4.1	1,156	1.7	849	2.1	480	1.0
Labour cost	916	2.1	1,690	2.5	1,064	2.6	1,749	3.5
Others ( <i>Note</i> )	435	1.0	912	1.4	233	0.6	218	0.4
Total	<u>42,726</u>	<u>100.0</u>	<u>67,264</u>	<u>100.0</u>	<u>40,776</u>	<u>100.0</u>	<u>49,499</u>	<u>100.0</u>

*Note:*

Others mainly include travelling expenses, design and drawing fees.

### Consumables

Consumables represent the costs for the procurement of parts and components, such as water pipes filters, pumps, valves, etc., for our projects. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our cost of consumables was approximately HK\$26.8 million, HK\$32.2 million and HK\$26.3 million respectively, representing approximately 62.7%, 47.8% and 53.0% of our total costs of services respectively.

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### *Sub-contracting fees*

Sub-contracting fees represent charges and fees incurred in engaging sub-contractors which provide workers to carry out the installation services of the Water Circulation System for our project. Our sub-contracting fees for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 were approximately HK\$9.6 million, HK\$27.0 million and HK\$17.1 million respectively, representing approximately 22.4%, 40.2% and 34.6% of our total costs of services respectively.

### *Staff costs*

Staff costs represent the staff salaries and allowances, bonus and mandatory provident fund contributions of our project team. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our staff costs were approximately HK\$3.3 million, HK\$4.3 million and HK\$3.7 million respectively, representing approximately 7.7%, 6.4% and 7.5% of our total costs of services respectively.

### *Consulting fees*

Consulting fees mainly represent the fees payable to our consultant for, inter alia, lighting effect, technical and circuit designs in relation to water-related systems, etc. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our consulting fees were approximately HK\$1.7 million, HK\$1.2 million and HK\$0.5 million respectively, representing approximately 4.1%, 1.7% and 1.0% of our total costs of services respectively.

### *Labour costs*

Labour costs represent the costs of engaging temporary workers directly by our Group. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our labour costs were approximately HK\$0.9 million, HK\$1.7 million and HK\$1.7 million respectively, representing approximately 2.1%, 2.5% and 3.5% of our total costs of services respectively.

### *Other costs of services*

Other costs of services include less significant and/or miscellaneous direct costs, which mainly include travelling expenses, design and drawing fees. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, other costs of services were approximately HK\$0.4 million, HK\$0.9 million and HK\$0.2 million respectively, representing approximately 1.0%, 1.4% and 0.4% of our total costs of services respectively.



## FINANCIAL INFORMATION

### *Sensitivity analyses*

The following sensitivity analysis of estimated increase/decrease of our gross profit and net profit illustrates the impact of hypothetical fluctuations in the cost of consumables and sub-contracting fees assuming all other variables remain constant for the years/period indicated:

	<b>Corresponding change in cost of services <i>HK\$'000</i></b>	<b>Gross profit <i>HK\$'000</i></b>	<b>Increase (decrease) in gross profit <i>HK\$'000</i></b>	<b>Net profit <i>HK\$'000</i></b>	<b>Increase (decrease) in net profit <i>HK\$'000</i></b>
<i>For the year ended</i>					
<i>31 March 2015</i>					
Cost of consumables increases/ decreases by:					
+10%	29,435	11,751	(2,676)	4,492	(2,234)
+5%	28,097	13,089	(1,338)	5,609	(1,117)
0%	26,759	14,427	—	6,726	—
-5%	25,421	15,765	1,338	7,843	1,117
-10%	24,083	17,103	2,676	8,960	2,234
Sub-contracting fees increase/ decrease by:					
+10%	10,538	13,469	(958)	5,926	(800)
+5%	10,059	13,948	(479)	6,326	(400)
0%	9,580	14,427	—	6,726	—
-5%	9,101	14,906	479	7,126	400
-10%	8,622	15,385	958	7,526	800

## FINANCIAL INFORMATION

	Corresponding change in cost of services <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Increase (decrease) in gross profit <i>HK\$'000</i>	Net profit <i>HK\$'000</i>	Increase (decrease) in net profit <i>HK\$'000</i>
<i>For the year ended</i>					
<i>31 March 2016</i>					
Cost of consumables increases/ decreases by:					
+10%	35,375	20,425	(3,216)	6,924	(2,685)
+5%	33,767	22,033	(1,608)	8,266	(1,343)
0%	32,159	23,641	—	9,609	—
-5%	30,551	25,249	1,608	10,952	1,343
-10%	28,943	26,857	3,216	12,294	2,685
Sub-contracting fees increase/ decrease by:					
+10%	29,736	20,938	(2,703)	7,352	(2,257)
+5%	28,385	22,289	(1,352)	8,480	(1,129)
0%	27,033	23,641	—	9,609	—
-5%	25,681	24,993	1,352	10,738	1,129
-10%	24,330	26,344	2,703	11,866	2,257
<i>For the eight months ended</i>					
<i>30 November 2016</i>					
Cost of consumables increases/ decreases by:					
+10%	28,876	15,114	(2,625)	(3,807)	(2,192)
+5%	27,564	16,426	(1,313)	(2,711)	(1,096)
0%	26,251	17,739	—	(1,615)	—
-5%	24,938	19,052	1,313	(519)	1,096
-10%	23,626	20,364	2,625	577	2,192
Sub-contracting fees increase/ decrease by:					
+10%	18,809	16,029	(1,710)	(3,043)	(1,428)
+5%	17,954	16,884	(855)	(2,329)	(714)
0%	17,099	17,739	—	(1,615)	—
-5%	16,244	18,594	855	(901)	714
-10%	15,389	19,449	1,710	(187)	1,428

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

The table below sets out the breakdown of our gross profits and gross profit margins derived from the following service segments for the years/periods indicated:

	Year ended 31 March						Eight months ended 30 November					
	2015			2016			2015			2016		
	Gross profit	As %		Gross profit	As %		Gross profit	As %		Gross profit	As %	
	HK\$'000	%	of total	HK\$'000	%	of total	HK\$'000	%	of total	HK\$'000	%	of total
							(Unaudited)					
Management contracting services	11,875	22.4	82.3	22,974	25.6	97.2	13,517	25.1	95.6	16,559	25.5	93.3
Consultancy services	2,512	63.4	17.4	634	62.3	2.7	584	62.1	4.1	1,128	49.5	6.4
Maintenance services	40	52.6	0.3	33	50.8	0.1	34	79.1	0.3	52	77.6	0.3
<b>Total:</b>	<b>14,427</b>	<b>25.2</b>	<b>100.0</b>	<b>23,641</b>	<b>26.0</b>	<b>100.0</b>	<b>14,135</b>	<b>25.7</b>	<b>100.0</b>	<b>17,739</b>	<b>26.4</b>	<b>100.0</b>

Our gross profits were approximately HK\$14.4 million, HK\$23.6 million and HK\$17.7 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Our gross profit margins were approximately 25.2%, 26.0% and 26.4%, for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively.

The following table sets out the breakdown of our gross profit by geographical locations of projects for the years/periods indicated:

	Year ended 31 March						Eight months ended 30 November					
	2015			2016			2015			2016		
	Gross profit	As % of		Gross profit	As % of		Gross profit	As % of		Gross profit	As % of	
	margin	total	HK\$'000	margin	total	HK\$'000	margin	total	HK\$'000	margin	total	HK\$'000
	HK\$'000			HK\$'000			(Unaudited)			HK\$'000		
Macau	11,056	34.3	76.6	22,110	31.8	93.5	12,177	29.2	86.1	9,853	31.2	55.5
Hong Kong	3,371	13.5	23.4	1,531	7.2	6.5	1,958	14.9	13.9	7,886	22.1	44.5
<b>Total</b>	<b>14,427</b>	<b>25.2</b>	<b>100.0</b>	<b>23,641</b>	<b>26.0</b>	<b>100.0</b>	<b>14,135</b>	<b>25.7</b>	<b>100.0</b>	<b>17,739</b>	<b>26.4</b>	<b>100.0</b>

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our gross profit for projects in Macau were approximately HK\$11.1 million, HK\$22.1 million and HK\$9.9 million respectively, whereas our gross profit for projects in Hong Kong were approximately HK\$3.4 million, HK\$1.5 million and HK\$7.9 million respectively. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our gross profit margin for projects in Macau were approximately 34.3%, 31.8% and 31.2% respectively, whereas our gross profit margin for projects in Hong Kong were approximately 13.5%, 7.2% and 22.1% respectively.

## FINANCIAL INFORMATION

### Other income and gains

The table below sets out the breakdown of our other income for the years/periods indicated:

	Year ended 31 March		Eight months ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	—	2	1	3
Interest income arising from payment for a life insurance policy	—	8	4	6
Gain on disposal of property, plant and equipment	—	5	5	—
<i>Total</i>	<u>—</u>	<u>15</u>	<u>10</u>	<u>9</u>

The other income was nil, approximately HK\$15,000 and HK\$9,000 for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. Those other income represented bank interest income, interest income arising from payment for life insurance policy and gain on disposal of property, plant and equipment.

### Administrative expenses

The table below sets out the breakdown of our administrative expenses for the years/periods indicated:

	Year ended 31 March				Eight months ended 30 November			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Salaries and allowances	1,741	34.1	3,516	40.8	2,000	36.7	3,822	51.0
Rent and rates	922	18.0	1,535	17.8	948	17.4	1,262	16.8
Depreciation expenses	568	11.1	629	7.3	412	7.6	461	6.1
Entertainment expenses	374	7.3	677	7.9	477	8.8	283	3.8
Travelling expense	402	7.9	585	6.8	648	11.9	562	7.5
Office expenses	532	10.4	709	8.2	393	7.2	470	6.3
Auditors' remuneration	247	4.8	90	1.0	—	—	—	—
Other expenses	324	6.4	872	10.2	569	10.4	634	8.5
<i>Total</i>	<u>5,110</u>	<u>100.0</u>	<u>8,613</u>	<u>100.0</u>	<u>5,447</u>	<u>100.0</u>	<u>7,494</u>	<u>100.0</u>

## FINANCIAL INFORMATION

Our administrative expenses primarily comprise:

- (i) salaries and allowances (including directors' emoluments) represent staff salaries, discretionary bonus, other benefits and mandatory provident fund contribution to Mr. Nam and administrative staff;
- (ii) rent and rates represent the rental expenses for our office and staff quarters in Hong Kong and Macau;
- (iii) depreciation expenses represent depreciation charge on our Group's leasehold improvement, furniture and fixture, office equipment and motor vehicles;
- (iv) entertainment expenses mainly represent expenses for maintaining relationship with the Group's existing and potential customers, suppliers and sub-contractors;
- (v) travelling expenses mainly represent the travelling expenses incurred by the Directors and administrative staff;
- (vi) office expenses mainly represent the expenses incurred for printing and stationery, office equipment maintenance, utilities, etc.;
- (vii) auditors' remuneration represents fees payable to auditors; and
- (viii) other expenses mainly represent bank charges, advertising expenses, insurance expenses and sundries.

### **Finance costs**

Our finance costs represented interest expenses on bank borrowings and finance leases.

### **Other expenses**

Other expenses represented the listing expenses, which is non-recurring in nature, amounted to approximately HK\$2.6 million and HK\$10.0 million for the year ended 31 March 2016 and the eight months ended 30 November 2016 respectively.

### **Income tax expenses**

The income tax expenses represented the total current and deferred tax expenses mainly for Hong Kong and Macau amounted to approximately HK\$2.2 million, HK\$2.2 million and HK\$1.2 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, respectively. Our effective tax rates, representing income tax divided by profit before tax, were approximately 24.8% and 18.6% for the years ended 31 March 2015 and 2016 respectively. As we have a loss before tax for the eight months ended 30 November 2016, effective tax rate is not applicable for the period.

## FINANCIAL INFORMATION

The table below sets out the breakdown of our income tax expense for the years/periods indicated:

	<b>Year ended 31 March</b>		<b>Eight months ended 30 November</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Hong Kong				
— Current tax	1,651	—	—	229
— Overprovision in prior years	(20)	—	—	—
Macau				
— Current tax	<u>505</u>	<u>2,317</u>	<u>1,256</u>	<u>1,009</u>
Net current tax expenses	2,136	2,317	1,256	1,238
Deferred taxation	<u>83</u>	<u>(118)</u>	<u>—</u>	<u>—</u>
<b>Income tax expense for the year</b>	<b><u>2,219</u></b>	<b><u>2,199</u></b>	<b><u>1,256</u></b>	<b><u>1,238</u></b>

Hong Kong Profits Tax have been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period. Pursuant to the tax incentive approved under section 20 of Decree Law No. 9/2014, Macau complementary tax is levied at a fixed rate of 12.0% on the taxable income above MOP600,000.

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and Samoa, our Group is not subject to any profits tax in the Cayman Islands and Samoa.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Hong Kong Profits Tax provision was approximately HK\$1.6 million, nil and HK\$0.2 million for the year ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. For the year ended 31 March 2016, our Hong Kong operation recorded a gross profit. However, because of (i) the increase in administrative expenses incurred for our central expenses including salaries and allowances and rent and rates; and (ii) the project located at Kennedy Town has zero gross profit margin due to the disagreement with Customer F, we recorded a loss before tax. Accordingly, no tax provision was made for Hong Kong Profits Tax for the year ended 31 March 2016. In respect of the Hong Kong Profits Tax provision of approximately HK\$1.6 million for the year ended 31 March 2015, approximately HK\$0.2 million was paid during the year ended 31 March 2015; approximately HK\$0.1 million was paid during the year ended 31 March 2016 and the remaining of approximately HK\$1.3 million was paid in April 2016, according to the tax assessments issued by the Inland Revenue Department of Hong Kong.

## FINANCIAL INFORMATION

The Macau tax provision was approximately HK\$0.5 million, HK\$2.3 million and HK\$1.0 million for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. The tax demand notes for 2014 and 2015 respectively amounted to HK\$0.3 million and HK\$0.8 million have been issued to our Group, which has been paid in accordance with the demand note. Save as the aforesaid payment, all of the provisions have yet to be paid as the Financial Services Bureau of Macau has not issued the tax demand note to the Group.

### *Prior years adjustments*

During the preparation of the financial information of the Group for the year ended 31 March 2015, the management of the Company had identified cut-off errors, being accounting errors in relation to the recognition of the contract revenue and the corresponding contract cost, in the statutory financial statements of the Group's subsidiary for the years prior to and for the year ended 31 March 2014, where certain revenue and the respective contract cost recognised in financial years ended 31 March 2015 should be recognised in the financial year ended 31 March 2014 or prior periods. Our Directors consider that such accounting errors made in the statutory financial statements of our Group's subsidiary was mainly due to the then inexperienced accounting staff maintained by our Group for its accounting function during the preparation of the statutory financial statements.

Relevant adjustments have been made to the revenue and cost of services of the Group for the year ended 31 March 2014 and prior periods. In this connection, we have made a filing to the Inland Revenue Department of Hong Kong ("IRD") for tax reassessment for the relevant years of assessment upon the issue of 2015 statutory financial statements in January 2016. IRD then issued the tax assessment for the year of assessment 2011/2012 and 2013/2014 to our Group charged for additional tax of approximately HK\$0.4 million and HK\$0.5 million respectively. As at the Latest Practicable Date, we have settled the additional tax payables in accordance with the tax assessments issued by the IRD, and we do not receive any correspondence from the IRD imposing any tax penalty in relation to the aforementioned accounting errors.

With respect to the aforesaid accounting errors, our Directors consider that it was mainly due to the then inexperienced accounting staff maintained by our Group for the accurate recognition of revenue based on the percentage of completion method during the preparation of the statutory financial statements. Our Group appointed Mr. Chong Ching Hoi, a Certified Public Accountant, as the chief financial officer in March 2016 to handle and oversee the financial reporting, financial planning and reviewing internal control of our Group, for further details of the experience and qualification of Mr. Chong, please refer to the section headed "Directors and Senior Management — Senior management" in this Prospectus. In addition, our management team will ensure our finance and accounting department is equipped with personnel having sufficient experience and accounting knowledge to support the accounting function. Our Directors are of the view that Mr. Chong is competent to oversee the accounting function of our Group and lead the finance and accounting department to ensure compliance with the Hong Kong Financial Reporting Standards and prevent the reoccurrence of similar accounting errors in the preparation of our Group's financial statements.

## FINANCIAL INFORMATION

### *Late tax registration and tax filing in respect of Harmony Asia in Macau*

In addition to the Hong Kong tax exposure, we are advised by our Macau tax adviser, HMV & Associates that Harmony Asia would have Macau profits tax exposure for its project in Macau. In view of the tax advice, Harmony Asia has already applied to the Financial Services Bureau (the “FSB”) of Macau for tax registration in Macau and submitted its Macau tax return for the year 2011 to 2015.

Based on the advice of our Macau tax adviser and as confirmed by our Macau legal adviser, apart from the related Macau profit tax payables for the years, Harmony Asia would be subject to penalties due to (a) late tax registration in Macau before the commencement of its provision of services ranges from MOP200 up to the maximum of MOP100,000; and (b) late filing of its tax return for 2011 to 2015 ranges from MOP100 up to the maximum of MOP10,000. The potential aggregate maximum penalty charged by FSB against our Group for the late tax registration and tax filings for the five years ended 31 December 2015 is estimated to be approximately MOP550,000 without taken into consideration of the potential reduction of 50%. Given that Harmony Asia took initiative to do the registration and filing, we are advised by the Macau tax adviser and as confirmed by our Macau legal adviser that according to relevant tax regulations in Macau, FSB has the authority to reduce the penalty amount by 50%. Our Controlling Shareholders will indemnify our Group against any penalty that may be imposed by FSB on Harmony Asia pursuant to the Deed of Indemnity.

The late tax registration and filing in respect of Harmony Asia in Macau was due to our inadequate understanding of the relevant tax regulatory requirements in Macau and failure to seek proper tax advice from external advisors.

For details, please refer to the paragraph headed “Business — Legal compliance” in this prospectus.

Save as disclosed above, our Directors confirm that they were not aware of any disputes/ unresolved tax issues with any tax authorities as at the Latest Practicable Date.

### **Dividends**

Our subsidiary declared dividends of nil, approximately HK\$5.2 million and nil, respectively, for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016.



## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

#### Financial performance for the year ended 31 March 2016 compared to the year ended 31 March 2015

##### *Revenue*

Our total revenue increased by approximately HK\$33.8 million or 59.1% from approximately HK\$57.2 million for the year ended 31 March 2015 to approximately HK\$90.9 million for the year ended 31 March 2016. The increase in our revenue was attributable to the combined effect of:

- (i) the increase in the revenue derived from management contracting services by approximately HK\$36.7 million or approximately 69.1%, from approximately HK\$53.1 million for the year ended 31 March 2015 to HK\$89.8 million for the year ended 31 March 2016, such increase was primarily due to increased number of variation orders in relation to the Project A;
- (ii) the decrease in the revenue derived from consultancy services by approximately HK\$3.0 million or approximately 74.3%, from approximately HK\$4.0 million for the year ended 31 March 2015 to approximately HK\$1.0 million for the year ended 31 March 2016, such decrease was primarily due to the decrease in the number of orders from our customers for consultancy services from eight projects for the year ended 31 March 2015 to two projects for the year ended 31 March 2016; and
- (iii) the decrease in the revenue derived from maintenance service by approximately HK\$11,000 or approximately 14.5% from approximately HK\$76,000 for the year ended 31 March 2015 to approximately HK\$65,000 for the year ended 31 March 2016, such decrease was primarily due to additional fee charged for replacing parts and components for the year ended 31 March 2015.

##### *Costs of services*

Our cost of services increased by approximately HK\$24.5 million or 57.4% from approximately HK\$42.7 million for the year ended 31 March 2015 to approximately HK\$67.3 million for the year ended 31 March 2016, such increase was primarily driven by the increase in cost of consumables and sub-contracting fees.

The increase in cost of consumables of approximately HK\$5.4 million for the year ended 31 March 2016 was mainly attributable to the increasing amount of parts and components procured for our projects; whereas the increase in subcontracting fees of approximately HK\$17.5 million for the year ended 31 March 2016 was mainly attributable to the increasing number of handwork that required more labour to execute the project work for the year ended 31 March 2016 as Project A got closer to the later stage for installation, as such, our demand for services from sub-contractors was higher when compared with that of 2015.

## FINANCIAL INFORMATION

### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$9.2 million or 63.9% from approximately HK\$14.4 million for the year ended 31 March 2015 to approximately HK\$23.6 million for the year ended 31 March 2016 which was primarily attributable to the combined effect of the increase in gross profit for projects in Macau of approximately HK\$11.1 million mainly derived from the increased number of variation orders in relation to the Project A, and partially offset by the decrease in gross profit for projects in Hong Kong of approximately HK\$1.8 million mainly due to the zero gross profit for the project located at Kennedy Town with Customer F. Due to the disagreement and subsequent termination of the contract, we only recognised the cost incurred of approximately HK\$4.2 million for the project as revenue for the year ended 31 March 2016 in accordance with the accounting policy and with reference to the opinion given by our legal adviser, which led to the zero gross profit for such project. For details, please refer to section headed “Business — Major customers” in this prospectus.

Generally, our projects in Macau enjoy a relatively higher gross profit margin as compared to projects in Hong Kong. Our gross profit margin for projects in Macau decreased from approximately 34.3% for the year ended 31 March 2015 to approximately 31.8% for the year ended 31 March 2016. The decrease was mainly due to the combined effect of the decrease in the contribution from our consultancy service which generally carries a higher gross profit margin, and partially offset by the increased number of variation orders which carry a higher gross profit margin. Usually, the variation orders are relatively urgent in nature and the expected completion time is approximately two to three months. In view of such urgency, some of the sub-contractors are already occupied with other commitments and do not have sufficient resources to take up such variation orders, preventing the project owner/main contractors from squeezing the profit margin to the sub-contractors through tendering or intensive competition. Given that we have well established business relationship with our sub-contractors in Macau who are able to provide sufficient Macau workers for our Group, we are able to take up such urgent variation orders and usually charge a relatively higher fee for such urgent variation orders, resulting in a relatively higher profit margin.

Our gross profit margin for projects in Hong Kong decreased from approximately 13.5% for the year ended 31 March 2015 to approximately 7.2% for the year ended 31 March 2016 which was mainly due to the zero gross profit for the project located at Kennedy Town with Customer F as mentioned above. Even though the respective gross profit margin for projects in Macau and Hong Kong decreased, our overall gross profit margin increased from approximately 25.2% for the year ended 31 March 2015 to approximately 26.0% for the year ended 31 March 2016, which was primarily due to the increase in contribution from projects in Macau with a higher gross profit margin for the year ended 31 March 2016.

### *Other income*

The other income increased from nil for the year ended 31 March 2015 to approximately HK\$15,000 for the year ended 31 March 2016, primarily due to the interest income arising from payment for a life insurance policy.

## FINANCIAL INFORMATION

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$3.5 million or 68.6% from approximately HK\$5.1 million for the year ended 31 March 2015 to approximately HK\$8.6 million for the year ended 31 March 2016, primarily due to (i) the increase in salaries of our Director by approximately HK\$0.5 million and the employment of four additional administrative staff; and (ii) renting of additional office premises in Hong Kong and staff quarters in Macau.

### *Finance costs*

Our finance costs slightly increased by approximately HK\$0.3 million or 71.5% from approximately HK\$0.4 million for the year ended 31 March 2015 to approximately HK\$0.6 million for the year ended 31 March 2016, primarily due to the increase in the level of bank borrowings from approximately HK\$6.5 million as at 31 March 2015 to approximately HK\$11.2 million as at 31 March 2016.

### *Other expenses*

The other expenses increased by approximately HK\$2.6 million from nil for the year ended 31 March 2015 to approximately HK\$2.6 million for the year ended 31 March 2016, which was due to non-recurring listing expenses charged to profit or loss for the year ended 31 March 2016.

### *Income tax expenses*

The income tax expenses amounted to approximately HK\$2.2 million for the year ended 31 March 2015 and approximately HK\$2.2 million for the year ended 31 March 2016.

The net tax provision provided for Macau profits tax increased from approximately HK\$0.5 million for the year ended 31 March 2015 to approximately HK\$2.3 million for the year ended 31 March 2016. The increase was mainly attributable to the increase in the profit before tax recorded for our Macau operation derived from the increased number of variation orders in relation to the Project A for the year ended 31 March 2016.

The net tax provision provided for Hong Kong Profits Tax decreased from approximately HK\$1.6 million for the year ended 31 March 2015 to nil for the year ended 31 March 2016 because our Group recorded a loss before tax for our Hong Kong operation for the year ended 31 March 2016. Our Hong Kong operation recorded a gross profit for the year ended 31 March 2016. However, because of (i) the increase in administrative expenses incurred for our central expenses, such as rental expense of headquarters, directors' emolument and salaries of administrative and accounting staff for the year ended 31 March 2016; and (ii) the project located at Kennedy Town (Customer F) has zero gross profit margin due to the disagreement between our Group and Customer F and the subsequent termination of the contract for the project, we recorded a loss before tax and, accordingly, no tax provision was made for Hong Kong Profits Tax for the year ended 31 March 2016.

Our effective tax rate decreased from approximately 24.8% for the year ended 31 March 2015 to approximately 18.6% for the year ended 31 March 2016, which was primarily due to the Macau tax provision of approximately HK\$0.5 million provided for the income generated from projects in Macau

## FINANCIAL INFORMATION

for the year ended 31 March 2015, and such income was also charged for Hong Kong Profits Tax. Details of such Macau tax provision, please refer to paragraph headed “Business — Legal compliance” in this prospectus.

### *Profit for the year*

As a result of the foregoing, our profit for the year increased by approximately HK\$2.9 million or 42.9% from approximately HK\$6.7 million for the year ended 31 March 2015 to approximately HK\$9.6 million for the year ended 31 March 2016.

Our net profit margin also decreased from approximately 11.8% for the year ended 31 March 2015 to approximately 10.6% for the year ended 31 March 2016, such decrease was mainly attributable to the non-recurring listing expenses charged to profit or loss for the year ended 31 March 2016.

### **Financial performance for the eight months ended 30 November 2016 compared to the eight months ended 30 November 2015**

#### *Revenue*

Our total revenue increased by approximately HK\$12.3 million or 22.4% from approximately HK\$54.9 million for the eight months ended 30 November 2015 to approximately HK\$67.2 million for the eight months ended 30 November 2016. The increase in our revenue was attributable to the combined effect of:

- (i) the increase in the revenue derived from management contracting services by approximately HK\$11.0 million or 20.3%, from approximately HK\$53.9 million for the eight months ended 30 November 2015 to approximately HK\$64.9 million for the eight months ended 30 November 2016, such increase was primarily derived from revenue from projects located at Macau, Western District, Kennedy Town and So Kwun Wat, Tuen Mun of approximately HK\$38.2 million, and such increase was partially offset by the decrease in revenue from Project A of approximately HK\$22.5 million for the eight months ended 30 November 2016 when compared with the corresponding period in 2015 as Project A got closer to the expected completion date, substantial amount of revenue had been recognised in prior periods;
- (ii) the increase in the revenue derived from consultancy services by approximately HK\$1.3 million or 142.4%, from approximately HK\$0.9 million for the eight months ended 30 November 2015 to approximately HK\$2.3 million for the eight months ended 30 November 2016, such increase was primarily due to the increase in the number of projects from our customers for consultancy services from 2 projects for the eight months ended 30 November 2015 to four projects for the eight months ended 30 November 2016; and
- (iii) the increase in the revenue derived from maintenance service by approximately HK\$24,000 or 55.8% from approximately HK\$43,000 for the eight months ended 30 November 2015 to approximately HK\$67,000 for the eight months ended 30 November 2016, such increase was primarily due to (i) increase in the monthly maintenance fee charged to the customer upon contract renewal and (ii) additional fee charged for replacing parts and components for the eight months ended 30 November 2016.

## FINANCIAL INFORMATION

### *Cost of services*

Our cost of services increased by approximately HK\$8.7 million or 21.4% from approximately HK\$40.8 million for the eight months ended 30 November 2015 to approximately HK\$49.5 million for the eight months ended 30 November 2016. Such increase was in line with the increase in revenue.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$3.6 million or 25.5% from approximately HK\$14.1 million for the eight months ended 30 November 2015 to approximately HK\$17.7 million for the eight months ended 30 November 2016. Such increase was primarily attributable to the increase in gross profit for management contracting services of approximately HK\$3.0 million and the increase in gross profit for consultancy services of approximately HK\$0.5 million, which were consequential to the increase in our revenue for the eight months ended 30 November 2016.

Our gross profit margin for projects in Macau increased from approximately 29.2% for the eight months ended 30 November 2015 to approximately 31.2% for the eight months ended 30 November 2016. The increase was mainly due to the commencement of a hotel project in Macau that carries a higher gross profit margin. Our gross profit margin for projects in Hong Kong increased from approximately 14.9% for the eight months ended 30 November 2015 to approximately 22.1% for the eight months ended 30 November 2016, primarily due to the projects located in So Kwun Wat, Tuen Mun and Ma On Shan that carry a higher gross profit margin, but the increase was partially offset by the zero gross profit for the project located at Kennedy Town with Customer F. For details, please refer to section headed “Business — Major customers” in this prospectus. Our overall gross profit margin increased from approximately 25.7% for the eight months ended 30 November 2015 to approximately 26.4% for the eight months ended 30 November 2016, which was primarily due to the increase in gross profit margin for projects in both Macau and Hong Kong for the eight months ended 30 November 2016 as affected by the aforementioned factors.

### *Other income*

Our other income decreased from HK\$10,000 for the eight months ended 30 November 2015 to approximately HK\$9,000 for the eight months ended 30 November 2016, primarily due to the increase in interest income, and partially offset by the non-occurrence of the gain on disposal of property, plant and equipment for the eight months ended 30 November 2016.

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$2.0 million or 37.6% from approximately HK\$5.4 million for the eight months ended 30 November 2015 to approximately HK\$7.5 million for the eight months ended 30 November 2016. Such increase was primarily due to (i) the increase in salaries and allowances resulting from the employment of five additional administrative staff; and (ii) renting of additional office premises in Hong Kong and staff quarters in Macau.

## FINANCIAL INFORMATION

### *Finance costs*

Our finance costs increased by approximately HK\$0.2 million or 42.9% from approximately HK\$0.4 million for the eight months ended 30 November 2015 to approximately HK\$0.6 million for the eight months ended 30 November 2016, primarily due to the surcharge interest charged by a bank for the early settlement of a term loan and a trade line, and the increase in the level of bank borrowings.

### *Other expenses*

Our other expenses increased from nil for the eight months ended 30 November 2015 to approximately HK\$10.0 million for the eight months ended 30 November 2016, primarily due to the non-recurring listing expenses charged to the profit or loss for the eight months ended 30 November 2016.

### *Income tax expenses*

Our income tax expenses amounted to approximately HK\$1.3 million for the eight months ended 30 November 2015 and approximately HK\$1.2 million for the eight months ended 30 November 2016.

The net tax provision provided for Macau profits tax remained relatively stable, amounted to approximately HK\$1.3 million and HK\$1.0 million for the eight months ended 30 November 2015 and 2016.

The net tax provision provided for Hong Kong Profits Tax was nil and HK\$0.2 million for eight months ended 30 November 2015 and 2016. Our Hong Kong operation recorded a gross profit for the eight months ended 30 November 2015 and 2016. However, because of the increase in administrative expenses incurred for our central expenses including salaries and allowances and rent and rates for the eight months ended 30 November 2015, we recorded a loss before tax and accordingly, no tax provision was made for Hong Kong Profits Tax for the eight months ended 30 November 2015. For the eight months ended 30 November 2016, because of (i) the increase in administrative expenses incurred for our central expenses including salaries and allowances and rent and rates; and (ii) the project located at Kennedy Town has zero gross profit margin due to the disagreement with Customer F, we recorded a relatively low profit before tax and, accordingly, tax provision made for Hong Kong Profits Tax amounted to approximately HK\$0.2 million for the eight months ended 30 November 2016.

Our effective tax rate for the eight months ended 30 November 2015 was approximately 12.8%. As we have a loss before tax for the eight months ended 30 November 2016, effective tax rate is not applicable for the period.

### *Profit (loss) for the period*

Our profit decreased from approximately HK\$7.0 million for the eight months ended 30 November 2015 to a net loss of approximately HK\$1.6 million for the eight months ended 30 November 2016, which was primarily due to the listing expense of approximately HK\$10.0 million charged to profit or loss for the eight months ended 30 November 2016. If the non-recurring listing expense charged to the profit or loss of approximately HK\$10.0 million was excluded, our adjusted net profit for the eight months ended 30 November 2016 was approximately HK\$8.4 million, which increased by HK\$1.4 million when compared with the corresponding period in 2015 as the result of the foregoing.

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Our net profit margin decreased from approximately 12.8% for the eight months ended 30 November 2015 to approximately 12.5% (excluding the non-recurring listing expenses charged to profit or loss) for the eight months ended 30 November 2016, such decrease was mainly attributable to the increase in the administrative expenses resulting from the expansion of the administrative team, offices and staff quarters for the eight months ended 30 November 2016, and the effect was partially offset by the increase in our gross profit margin as the result of foregoing.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal sources of liquidity and capital resources have been, and are expected to continue to be cash flow from operating activities. Our principal uses of cash have been, and we expect will continue to be, for the funding of required working capital to support the increase in our scale of operations and our capital expenditure needs. We plan to fund our future business plans, capital expenditures and related expenses as described in this prospectus with cash from operating activities and the net proceeds from the Public Offering.

The following table is a summary of our consolidated statements of cash flows for the years/period indicated:

	<b>Year ended 31 March</b>		<b>Eight months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from (used in) operating activities	4,410	(4,514)	(19,886)
Net cash (used in) from investing activities	(7,446)	5,681	864
Net cash from financing activities	<u>3,645</u>	<u>6,072</u>	<u>12,407</u>
Net increase (decrease) in cash and cash equivalents	609	7,239	(6,615)
Cash and cash equivalents at the beginning of the year/period	<u>(587)</u>	<u>22</u>	<u>7,261</u>
Cash and cash equivalents at the end of the year/period	<u><u>22</u></u>	<u><u>7,261</u></u>	<u><u>646</u></u>

#### **Net cash from (used in) operating activities**

Our cash generated from operating activities are principally derived from the receipt of payments for the provision of our services. Our net cash used in operating activities is principally attributable to the payment of procurement of consumables, sub-contracting fees, staff costs, other operating expenses and tax payments.

For the year ended 31 March 2015, we had a net cash generated from operating activities of approximately HK\$4.4 million, primarily contributed by the operating cash flow before movements in working capital of approximately HK\$9.9 million and partially offset by the net negative changes in working capital of approximately HK\$4.9 million and Profits Tax paid of approximately HK\$0.6



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million. The net negative change in working capital was primarily attributable to the increase in trade and other debtors, deposits and prepayment of approximately HK\$6.6 million, which was in line with the increase of our scale of business leading to the increase in the balances of trade debtors and retention receivables as at 31 March 2015. Such negative change was partially offset by the increase in trade and other creditors and accrued expenses of approximately HK\$1.3 million.

For the year ended 31 March 2016, we had a net cash used in operating activities of approximately HK\$4.5 million, primarily attributable to the operating cash flow before movements in working capital of approximately HK\$13.1 million and fully offset by the net negative changes in working capital of approximately HK\$17.0 million and Profits tax paid of approximately HK\$0.5 million. The net negative change in working capital was primarily attributable to (i) the increase in amount due from/to customers for contract works of approximately HK\$10.7 million; and (ii) increase in trade and other debtors, deposits and prepayment of approximately HK\$6.4 million, both of which were in line with the increase of our scale of business for the year ended 31 March 2016.

For the eight months ended 30 November 2016, we had a net cash used in operating activities of approximately HK\$19.9 million, primarily attributable to (i) the net negative changes in working capital of approximately HK\$16.1 million, (ii) profits tax paid of approximately HK\$4.5 million, and (iii) the offsetting effect resulting from the operating cash inflow before movements in working capital of approximately HK\$0.7 million. The net negative change in working capital was primarily attributable to the increase in amount due from/to customers for contract works of approximately HK\$20.7 million, which mainly included (i) uncertified sum of Project A and a project located in So Kwun Wat, Tuen Mun; and (ii) the relevant cost of approximately HK\$7.2 million to be certified by Customer F whom we have disagreement with for the project located at Kennedy Town, but the net negative change was partially offset by the increase in trade and other creditors and accrued expense of approximately HK\$8.6 million.

### **Net cash (used in) from investing activities**

Our cash used in investing activities during the Track Record Period mainly consist of addition to property, plant and equipment, placement of pledged and restricted bank deposits and advance to or repayment from a director.

For the year ended 31 March 2015, we had a net cash used in investing activities of approximately HK\$7.4 million, primarily attributable to (i) advance to a director of approximately HK\$4.1 million; (ii) acquisition of office equipment and motor vehicles of approximately HK\$2.1 million; and (iii) placement of pledged and restricted bank deposits of approximately HK\$1.2 million for procurement of performance bonds required by our customers and secured our banking facilities.

For the year ended 31 March 2016, we had a net cash generated from investing activities of approximately HK\$5.7 million, primarily due to the combined effect of (i) repayment from a director of approximately HK\$7.1 million; and partially offset by (ii) acquisition of office equipment and motor vehicles of approximately HK\$0.5 million; and (iii) purchase of a life insurance policy for our director of approximately HK\$0.7 million as requested by the bank which provides banking facilities to our Group.



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For the eight months ended 30 November 2016, we had a net cash generated from investing activities of approximately HK\$0.9 million, primarily due to release of pledged and restricted bank deposit of approximately HK\$1.0 million from the cancellation of a credit facility offered by a bank.

### Net cash from financing activities

During the Track Record Period, our cash generated from financing activities mainly consisted of new bank borrowings and proceeds from issue of shares, whereas our cash used in financing activities mainly consisted of repayment of bank borrowings and finance lease and dividend paid.

For the year ended 31 March 2015, we had a net cash generated from financing activities of approximately HK\$3.6 million, primarily due to the proceeds from new bank borrowings of approximately HK\$4.3 million, such cash inflow was partially offset by the repayment of bank borrowings and finance leases of approximately HK\$0.3 million and the interest paid for our bank borrowings of approximately HK\$0.4 million.

For the year ended 31 March 2016, we had a net cash generated from financing activities of approximately HK\$6.1 million, primarily due to the proceeds from the First Pre-IPO Investment of HK\$10.0 million and the proceeds from new bank borrowings of approximately HK\$3.7 million, such cash inflow was partially offset by the repayment of bank borrowings and finance leases of approximately HK\$1.5 million and dividends paid of approximately HK\$5.2 million.

For the eight months ended 30 November 2016, we had a net cash generated from financing activities of approximately HK\$12.4 million, primarily due to the combined effect of the proceeds from new bank borrowings of approximately HK\$15.0 million and proceeds from the Second Pre-IPO Investment of HK\$8.0 million, such cash inflow was partially offset by the repayment of bank borrowings and finance leases of approximately HK\$10.0 million.

## ASSETS AND LIABILITIES

### Net Current Assets

The following table sets out details of our current assets and current liabilities as at the dates indicated:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 30 November 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i> (Unaudited)
<b>Current Assets</b>				
Amounts due from customers for contract works	14,072	16,491	36,837	41,980
Trade and other debtors, deposits and prepayments	12,763	19,147	23,199	22,731
Amount due from a director	7,057	—	—	—
Pledged and restricted bank deposits	1,605	1,833	832	473
Bank balances and cash	<u>2,384</u>	<u>8,773</u>	<u>1,605</u>	<u>1,058</u>
Total current assets	<u>37,881</u>	<u>46,244</u>	<u>62,473</u>	<u>66,242</u>

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	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 30 November 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i> (Unaudited)
<b>Current liabilities</b>				
Amounts due to customers for contract works	8,698	393	75	341
Trade and other creditors and accrued expenses	5,292	5,354	13,927	14,142
Amount due to a related party	300	—	—	—
Amount due to a related company	2,230	—	—	—
Bank borrowings — due within one year	5,495	8,563	12,700	9,649
Obligations under finance leases	522	551	570	549
Taxation payable	2,417	4,195	981	2,333
Bank overdraft — secured	2,362	1,512	959	2,957
 Total current liabilities	 27,316	 20,568	 29,212	 29,917
 Net current assets	 10,565	 25,676	 33,261	 36,271

Our current assets primarily consist of amounts due from customers for contract works, trade and other debtors, deposits and prepayments, amount due from a director, bank balances and cash and pledged and restricted bank deposits. Our current liabilities primarily consist of amounts due to customers for contract works, bank borrowings (due within one year), trade and other creditors and accrued expenses and taxation payable.

Our net working capital improved during the year ended 31 March 2016. Our net current assets increased from approximately HK\$10.6 million as at 31 March 2015 to approximately HK\$25.7 million as at 31 March 2016. The increase was primarily attributable to the combined effect of (i) increase in amounts due from customers for contract works and trade and other debtors, deposits and prepayments of approximately HK\$2.4 million and HK\$6.4 million respectively, which was in line with our increased scale of business; (ii) increase in cash and cash equivalents (bank balances and cash net of secured bank overdraft) of approximately HK\$7.2 million; and (iii) decrease in amounts due to customers for contract works of approximately HK\$8.3 million, which was partially offset by the repayment from a director of approximately HK\$7.1 million and increase in bank borrowings (due within one year) of approximately HK\$3.1 million.

Our Group's net current assets increased from approximately HK\$25.7 million as at 31 March 2016 to approximately HK\$33.3 million as at 30 November 2016. The increase was primarily attributable to the combined effect of (i) the increase in amounts due from customers for contract works of approximately HK\$20.3 million, and (ii) increase in trade and other debtors, deposits and prepayment of approximately HK\$4.1 million, which was partially offset by decrease in cash and cash equivalents

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(bank balances and cash net of secured bank overdraft) of approximately HK\$6.6 million, the increase in the trade and other creditors and accrued expenses of approximately HK\$8.6 million and the increase in the bank borrowings (due within one year) of approximately HK\$4.1 million.

Our Group's net current assets increased from approximately HK\$33.3 million as at 30 November 2016 to approximately HK\$36.3 million as at 31 March 2017. The increase was primarily attributable to the combined effect of (i) the increase in amounts due from customers for contract works of approximately HK\$5.1 million, and (ii) decrease in bank borrowings (due within one year) of approximately HK\$3.1 million, which was partially offset by the decrease in cash and cash equivalents (bank balances net of secured bank overdraft) of approximately HK\$2.5 million and the increase in taxation payable of approximately HK\$1.4 million.

### CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### 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 indicated:

	<b>Leasehold improvement</b>	<b>Furniture and fixture</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2015	—	—	208	1,910	2,118
As at 31 March 2016	—	22	394	1,563	1,979
As at 30 November 2016	—	40	381	1,237	1,658

As shown in the table above, our Group's property, plant and equipment consists primarily of office equipment and motor vehicles. We purchased our office equipment and motor vehicles mainly with our internally generated resources.

Office equipment are primarily computers and air-conditioners. The office equipment with the carrying amount of approximately HK\$208,000 as at 31 March 2015, which increased to approximately HK\$394,000 as at 31 March 2016 was due to purchases of additional computers and air-conditioners as a result of renting additional office premises and offset by depreciation for the year. The carrying amount of our office equipment further decreased to approximately HK\$381,000 as at 30 November 2016 due to the depreciation for the period and offset by the purchase of additional computers as a result of employment of additional staff.

The carrying amount of our motor vehicles was approximately HK\$1.9 million as at 31 March 2015 which slightly decreased to HK\$1.6 million as at 31 March 2016 mainly due to depreciation for the year and offset by the purchase of one additional motor vehicle in Hong Kong. The carrying amount of our motor vehicles further decreased to approximately HK\$1.2 million as at 30 November 2016 mainly due to depreciation for the period and offset by purchase of one additional motor vehicle in Hong Kong.

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### Payment for a life insurance policy

During the year ended 31 March 2016, the Group entered into a life insurance policy with an insurance company on Mr. Nam. Under the policy, the beneficiary and policy holder is the Group and the Group is required to pay an upfront payment for the policy. For more details, please refer to note 16 of the Accountants' Report in Appendix I to this prospectus.

### Amount due to/from customers for contract work

We recognise our revenue of management contracting services based on percentage of completion of the contracts at the end of each reporting period. The percentage of completion is determined based on the direct proportion that contract cost incurred for work performed to date relative to the estimated total contract costs. If costs incurred plus (less) recognised profits (losses) exceed progress billings, an amount due from customers for contract works will be recognised as our Group's current assets. Conversely, when our progress billings exceed costs incurred plus (less) recognised profits (losses), an amount due to customers for contract works will be recognised as our Group's current liabilities.

The following table sets out the information regarding the contract in progress, progress billings and the breakdown of our amounts due from/to customers for contract works as at the dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:			
Contract costs incurred	77,417	138,665	181,898
Recognised profits less recognised losses	<u>26,430</u>	<u>53,901</u>	<u>75,560</u>
	103,847	192,566	257,458
Less: Progress billings	<u>(98,473)</u>	<u>(176,468)</u>	<u>(220,696)</u>
	<u><u>5,374</u></u>	<u><u>16,098</u></u>	<u><u>36,762</u></u>
Analysed for reporting purposes as:			
Amounts due from customers for contact works	14,072	16,491	36,837
Amounts due to customers for contract works	<u>(8,698)</u>	<u>(393)</u>	<u>(75)</u>
	<u><u>5,374</u></u>	<u><u>16,098</u></u>	<u><u>36,762</u></u>

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The amounts due from/to customers for contract works vary from period to period due to the difference in volume and value of project works we performed close to the end of each reporting period and the duration between our submission of progress payment applications and receipt of progress certificates from our customers. It normally takes approximately 2 to 3 months for our customers or its consultants to certify our progress payment applications.

Our net amounts due from customers for contract works increased by HK\$10.7 million from approximately HK\$5.4 million as at 31 March 2015 to approximately HK\$16.1 million as at 31 March 2016. The increase was primarily attributable to the Project A and a project located at Castle Peak Road which incurred substantial cost of consumables and subcontracting fees, while payment of work completed had yet to be certified by the customers or its consultants as at 31 March 2016.

Our net amounts due from customers for contract works increased by HK\$20.7 million from approximately HK\$16.1 million as at 31 March 2016 to approximately HK\$36.8 million as at 30 November 2016. Such increase was primarily attributable to the Project A and projects located in Kennedy Town and So Kwun Wat, Tuen Mun which incurred substantial cost of consumables and subcontracting fees, while payment of work completed had yet to be certified by the customers or its consultants as at 30 November 2016. In respect of the project located in Kennedy Town, there is a disagreement between our Company and Customer F, please refer to section headed “Business — Major customers” in this prospectus for details.

### Trade and other debtors, deposits and prepayments

The following table sets forth our trade debtors, retention receivables and other debtors, deposits and prepayments as at the dates indicated:

	<b>As at</b>		
	<b>As at 31 March</b>	<b>2016</b>	<b>30 November</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	6,474	10,630	13,720
Retention receivables ( <i>Note</i> )	5,913	8,127	8,666
Other debtors, deposits and prepayments	376	390	813
	12,763	19,147	23,199

*Note:* Retention receivables are unsecured, interest-free and recoverable after the expiry of the defect liability period and the issuance of the final accounts of the project. It generally takes 18–24 months to recover from the date of practical completion of the respective projects.

Our trade and other debtors mainly represent (i) the balances from our customers relating to management contracting services; and (ii) the retention monies receivables held by our relevant customers.

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### *Trade debtors*

Trade debtors were approximately HK\$6.5 million, HK\$10.6 million and HK\$13.7 million as at 31 March 2015, 2016 and 30 November 2016 respectively. Generally, based on the amount of work completed, the Group will make progress payment application to customers pursuant to the terms of the contracts. Upon receiving the progress payment application, the customer or its consultant will examine the portion of work completed and would issue a payment certificate after the examination. The Group will then proceed to issue invoice to the customer. Our trade debtors increased by approximately HK\$4.2 million or 64.2% from approximately HK\$6.5 million as at 31 March 2015 to approximately HK\$10.6 million as at 31 March 2016. This increment was in line with the increase in our revenue during the year ended 31 March 2016. Our trade debtors further increased by approximately HK\$3.1 million or 29.1% to approximately HK\$13.7 million as at 30 November 2016. Such increase was due to (i) certain customers requiring more time to reconcile the sum of all amount already certified but not yet paid to our Group on the one hand, and the agreed contract sum and the sum for variation orders on the other hand, for finalising the final account of the projects upon project completion which results in the actual payment being delayed; and (ii) balance certified by Customer F with whom we have disagreement for project located at Kennedy Town during the eight months ended 30 November 2016.

The following table sets out an aged analysis of the trade debtors based on the invoice date as at the end of each reporting period:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
Within 30 days	4,441	9,614	9,068
More than 30 days and within 60 days	1,815	766	543
More than 60 days	218	250	4,109
	<u>6,474</u>	<u>10,630</u>	<u>13,720</u>

An aged analysis of the trade debtors which were past due but not impaired, as at the end of each reporting period, is as follows:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
More than 30 days and within 60 days	1,815	766	543
More than 60 days	218	250	4,109
	<u>2,033</u>	<u>1,016</u>	<u>4,652</u>

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A majority of our trade debtors as at 31 March 2015 and 2016 were aged within 60 days. As at 30 November 2016, approximately 29.9% of our trade debtors was aged more than 60 days, which was mainly due to the fact that (i) several customers are in the process of finalising the final account of the projects upon the project completion, and those balances were outstanding as at 30 November 2016 and up to the Latest Practicable Date; and (ii) balance certified by Customer F with whom we have disagreement for project located at Kennedy Town of approximately HK\$1.2 million (excluding the retention money) remained outstanding as at 30 November 2016. The credit period granted to our customers is generally 30 days from the date of receipt of our invoice. Our senior management closely reviews the trade debtors balances and any overdue balances on an on-going basis and assessment are made by our senior management on the collectability of overdue balances.

Based on past experience, our senior management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of these customers. The receivable balances are therefore considered fully recoverable. We do not hold any collateral or other credit enhancements over our trade debtors balance. Trade debtors balances are non-interest-bearing.

As at the Latest Practicable Date, approximately 72.4% of trade debtors as at 30 November 2016 had been subsequently settled.

The following table sets out the average trade debtors turnover days for the periods indicated:

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>	<b>Eight months ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 November 2016</b>
Average trade debtors turnover days	31.7	34.3	44.2

*Note:* Our average trade debtors turnover days were calculated by dividing the arithmetic mean of opening and closing balance of trade debtors as the respective reporting date by our total revenue for the year, multiplied by 365 days in the year or 244 days for the eight months ended 30 November 2016.

Our average trade debtors turnover days were approximately 31.7 days and 34.3 days for the years ended 31 March 2015 and 2016, respectively, which remained relatively stable. Our average trade debtors turnover days was 44.2 days for the eight months ended 30 November 2016, which was mainly due to the late payment from several customers as discussed above. The average trade debtors turnovers days indicate the average number of days required for us to collect payments from our customers.

We did not experience material default of payment from customers during the Track Record Period and did not record impairment on trade debtors.

### *Retention monies receivables*

When undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. In general, our customers will retain 10% of each progress payment and up to a maximum limit of 5% of the contract sum (subject to variation orders) as retention money for the project, which will be released by our customers after the expiry of the defect liability period and the issuance of the final accounts of the project.

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The following table sets out the aged analysis of the retention receivables, based on the expiry of the defect liability period, as at the dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
			<i>HK\$'000</i>
On demand or within one year	1,156	1,246	2,672
After one year	<u>4,757</u>	<u>6,881</u>	<u>5,994</u>
	<u>5,913</u>	<u>8,127</u>	<u>8,666</u>

Our retention monies receivables increased from approximately HK\$5.9 million as at 31 March 2015 to approximately HK\$8.1 million as at 31 March 2016, which was also in line with the increase in our revenue. Our retention monies receivables slightly increased from approximately HK\$8.1 million as at 31 March 2016 to approximately HK\$8.7 million as at 30 November 2016, as the substantial amount of progress payment was from on-going projects, and the retention money retained by most of these customers was reach to the maximum limit of 5% of the contract sum. As at 30 November 2016, the top five and the largest retention receivables amounted to HK\$7.6 million and HK\$4.9 million respectively. The largest retention receivable as at 30 November 2016 was associated with the management contracting services of Project A.

We expect that all outstanding retention monies to be released to us after the expiry of the defect liability period and the issuance of the final accounts of the project. As at the Latest Practicable Date, HK\$0.5 million of retention monies recorded as at 30 November 2016 has been released to us and the expected release dates of the remaining retention monies should fall between 2017 and 2018.

Based on past experience, our senior management is of the opinion that no provision for impairment is necessary in respect of the retention receivables as there has not been a significant change in credit quality of these customers. The retention receivable balances are therefore considered fully recoverable.

### *Other debtors, deposits and prepayments*

Other debtors, deposits and prepayments mainly represents trade deposits, rental deposits and prepaid rentals.

The slight increase of other debtors, deposits and prepayments from approximately HK\$376,000 as at 31 March 2015 to HK\$390,000 as at 31 March 2016, was primarily due to the increase in rental deposits of approximately HK\$0.2 million during the year ended 31 March 2016 for renting additional office premises in Hong Kong and staff quarters in Macau and partially offset by the decrease in trade deposits of approximately HK\$0.1 million during the year ended 31 March 2016.

Our other debtors, deposits and prepayments increased from approximately HK\$390,000 as at 31 March 2016 to HK\$813,000 as at 30 November 2016, which was primarily due to the increase in deposit to an insurance company for procuring more performance bonds.



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### Amount due from a director

The amount due from a Director, which was non-trade nature, unsecured, interest-free and repayable on demand. The amount due from a director amounted to approximately HK\$7.1 million, nil and nil as at 31 March 2015 and 2016 and 30 November 2016, respectively. The amount due as at 31 March 2015 was fully settled during the year ended 31 March 2016.

### Pledged and restricted bank deposits

Pledged and restricted bank deposits represent the deposits required by the bank for issue of performance bonds and secured the banking facilities.

The pledged bank deposits remained relatively stable as at 31 March 2015 and 2016. The pledged bank deposits decreased from HK\$1.0 million as at 31 March 2016 to nil as at 30 November 2016, which was mainly due to our cancellation of the banking facility from a bank. The pledged bank deposit was then released.

The restricted bank deposits increased by approximately HK\$0.2 million or 37.5% from approximately HK\$0.6 million as at 31 March 2015 to approximately HK\$0.8 million as at 31 March 2016, primarily due to the issuance of more performance bonds as required under the terms of the contracts we entered into during the year ended 31 March 2016. The restricted bank deposits remains as HK\$0.8 million as at 30 November 2016 as we did not procure additional performance bonds issued by banks.

### Trade and other creditors and accrued expenses

The following table sets forth our trade and other creditors and accrued expenses as at the dates indicated:

	<b>As at</b>		
	<b>As at 31 March</b>	<b>2016</b>	<b>30 November</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	4,128	3,585	10,915
Other creditors and accrued expenses	1,164	1,769	3,012
	5,292	5,354	13,927

The average credit period on trade creditors generally ranges from 30 to 90 days. Our Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## FINANCIAL INFORMATION

### *Trade creditors*

Trade creditors mainly represented the amount payable to suppliers and sub-contractors. It decreased by approximately HK\$0.5 million or 13.2% from approximately HK\$4.1 million as at 31 March 2015 to approximately HK\$3.6 million as at 31 March 2016, primarily due to the settlement of the outstanding balances for procurement of consumables for Project A closed to the final stage of the project. Our trade creditors increased by approximately HK\$7.3 million or 204.5% to approximately HK\$10.9 million as at 30 November 2016, primarily due to the procurement of consumables from suppliers that offered a longer credit period.

The following table sets out an aged analysis of the trade creditors based on invoice date as at the end of each reporting period:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 November</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
			<i>HK\$'000</i>
Within 30 days	3,332	3,002	2,486
More than 30 days and within 60 days	394	177	1,669
More than 60 days	<u>402</u>	<u>406</u>	<u>6,760</u>
	<u>4,128</u>	<u>3,585</u>	<u>10,915</u>

As at the Latest Practicable Date, approximately 64.4% of our trade creditors as at 30 November 2016 had been subsequently settled.

The following table sets out the trade creditors turnover days for the periods indicated:

	<b>Year ended 31 March</b>		<b>Eight months</b>
	<b>2015</b>	<b>2016</b>	<b>ended</b>
			<b>30 November</b>
			<b>2016</b>
Average trade creditors turnover days	<u>28.9</u>	<u>20.9</u>	<u>35.7</u>

*Note:* Our average trade creditors turnover days were calculated by dividing the arithmetic mean of opening and closing balance of trade creditors as the respective reporting date by our total cost of services for the year, multiplied by 365 days in the year or 244 days for the eight months ended 30 November 2016.

Our average trade creditors turnover days were approximately 28.9 days, 20.9 days and 35.7 days for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, respectively. The average trade creditors turnovers days indicate the average number of days required for us to arranged payments to our suppliers and sub-contractors. The shorter average trade creditors turnover days for the year ended 31 March 2016 was principally due to the higher proportion of sub-contracting fees incurred during the year ended 31 March 2016, the credit period granted by sub-contractors is generally shorter. Our average trade creditors turnover days increased to approximately

## FINANCIAL INFORMATION

35.7 days for the eight months ended 30 November 2016, primarily due to the procurement of consumables from suppliers that offered a longer credit period, which led to a higher trade creditor balances as at 30 November 2016.

### *Other creditors and accrued expenses*

Other creditors and accrued expenses mainly represent salaries, discretionary bonus, other benefits and other disbursements of our staff. It increased by approximately HK\$0.6 million or 52.0% from approximately HK\$1.2 million as at 31 March 2015 to approximately HK\$1.8 million as at 31 March 2016, primarily due to increase of the number of staff during the year ended 31 March 2016 and the increase of the year end bonus for the year ended 31 March 2016. Our other creditors and accrued expenses increased by approximately HK\$1.2 million or 70.3% from approximately HK\$1.8 million as at 31 March 2016 to approximately HK\$3.0 million as at 30 November 2016, primarily due to the outstanding listing expenses of approximately HK\$1.2 million.

### **Amount due to a related party**

The amount due to a related party, a close family member of Mr. Nam, was non-trade nature, unsecured, interest free and repayable on demand. The amount due to a related party amounted to approximately HK\$0.3 million, nil and nil as at 31 March 2015 and 2016 and 30 November 2016, respectively. The amount due as at 31 March 2015 was fully settled during the year ended 31 March 2016.

### **Amount due to a related company**

The amount due to a related company, which was non-trade nature, unsecured, interest free and repayable on demand. The amount due to a related company amounted to approximately HK\$2.2 million, nil and nil as at 31 March 2015 and 2016 and 30 November 2016, respectively. The amount due to a related company represents the amount due to a company in which Mr. Nam has equity interest. The related company was dissolved in April 2015, resulting in a credit in other reserve.

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### INDEBTEDNESS

During the Track Record Period, our indebtedness consisted of bank borrowings, bank overdrafts and obligations under finance leases in the sum of approximately HK\$10.8 million as at 31 March 2015, approximately HK\$14.1 million as at 31 March 2016 and approximately HK\$18.6 million as at 30 November 2016 respectively.

The following table sets out our Group's indebtedness as at the respective dates indicated:

	As at 31 March		As at	As at
	2015	2016	30 November 2016	31 March 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
<b>Current liabilities</b>				
Bank borrowings — due within one year	5,495	8,563	12,700	9,649
Obligations under finance leases — secured	522	551	570	549
Bank overdraft — secured	<u>2,362</u>	<u>1,512</u>	<u>959</u>	<u>2,957</u>
	<u>8,379</u>	<u>10,626</u>	<u>14,229</u>	<u>13,155</u>
<b>Non-current liabilities</b>				
Bank borrowings — due after one year	1,042	2,676	3,936	3,944
Obligations under finance leases — secured	<u>1,377</u>	<u>826</u>	<u>443</u>	<u>277</u>
	<u>2,419</u>	<u>3,502</u>	<u>4,379</u>	<u>4,221</u>
	<u>10,798</u>	<u>14,128</u>	<u>18,608</u>	<u>17,376</u>

### Bank borrowings

The following table sets out the breakdown of bank borrowings as at the respective dates indicated:

	As at 31 March		As at	As at
	2015	2016	30 November 2016	31 March 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Secured loans	<u>6,537</u>	<u>11,239</u>	<u>16,636</u>	<u>13,593</u>

## FINANCIAL INFORMATION

Our Group had bank borrowings of approximately HK\$6.5 million, HK\$11.2 million, HK\$16.6 million and HK\$13.6 million as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017. The bank borrowings (due within one year) of approximately HK\$9.6 million as at 31 March 2017 comprised of (i) revolving loan of approximately HK\$5.0 million, (ii) instalment loan of approximately HK\$3.6 million and (iii) imported invoice financing of approximately HK\$1.0 million. As at the Latest Practicable Date, (i) the aforesaid revolving loan, imported invoice financing and bank overdraft of approximately HK\$5.0 million, HK\$1.0 million and HK\$3.0 million have yet to be repaid; and (ii) instalment loan of approximately HK\$3.6 million is repaid monthly with an approximate repayment of HK\$0.2 million per month by the internally generated cash flow. The aforesaid revolving loan and bank overdraft are repayable on demand, whereas the imported invoice financing is due in May 2017. We expect to repay such revolving loan, imported invoice financing and bank overdraft by the IPO proceeds and/or cash received from customers. For the details of the repayment, please refer to the section headed “Future Plans and Use of Proceeds — Further details on the repayment of bank borrowings” in this prospectus. As at the Latest Practicable Date, we had total banking facilities of approximately HK\$20.3 million, of which approximately HK\$0.6 million was unutilised. Our Group’s bank borrowings were primarily used in financing the working capital requirement of our operation and settlement of the life insurance premium of Mr. Nam.

Our bank borrowings are classified as current liabilities according to the HK Interpretation 5. Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants. According to the repayment schedule, the bank loans are repayable as follows:

	<b>As at 31 March</b>		<b>As at 30 November</b>	<b>As at 31 March</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
				(unaudited)
On demand or within one year	5,495	8,563	12,700	9,649
More than one year but not exceeding two years	304	265	1,943	1,951
More than two years but not exceeding five years	393	418	—	—
More than five years	<u>345</u>	<u>1,993</u>	<u>1,993</u>	<u>1,993</u>
	<u><u>6,537</u></u>	<u><u>11,239</u></u>	<u><u>16,636</u></u>	<u><u>13,593</u></u>

Except for bank borrowings of nil, approximately HK\$2.0 million, approximately HK\$2.0 million and approximately HK\$2.0 million as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017 are denominated in US\$, all the bank borrowings are denominated in HKD. The bank borrowings carry interests at floating rates ranging from 3.00% to 5.75% per annum as at 31 March 2015, from 2.43% to 5.75% per annum as at 31 March 2016, from 2.53% to 5.75% per annum as at 30 November 2016 and from 2.98% to 5.75% per annum as at 31 March 2017.

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As at 31 March 2015 and 31 March 2016, the bank borrowings of approximately HK\$5.9 million and HK\$10.9 million are secured by (i) pledged and restricted bank deposits; (ii) Mr. Nam and Mr. Ng's personal guarantees; (iii) legal charges over two properties, one of which was held by a close family member of Mr. Nam, and another was held by Mr. Ng, and (iv) payment for a life insurance policy. As at the Latest Practicable Date, the aforementioned bank borrowings was fully repaid and Mr. Nam and Mr. Ng's guarantees were cancelled accordingly.

As at 30 November 2016 and 31 March 2017, the bank borrowing of approximately HK\$10.0 million and HK\$7.8 million is secured by (i) personal bank deposit of HK\$2.5 million of Mr. Nam and (ii) Mr. Nam and Mr. Ng's personal guarantees. As at 30 November 2016 and 31 March 2017, another bank borrowing of approximately HK\$4.4 million and HK\$3.6 million is secured by Mr. Nam's personal guarantees. The said guarantees will be replaced by corporate guarantee of the Company upon Listing. The bank borrowings of approximately HK\$0.6 million, HK\$0.4 million, HK\$0.2 million and HK\$0.2 million as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017, are secured by pledged and restricted bank deposits.

### **Obligations under finance leases**

During the Track Record Period, we acquired two motor vehicles by way of finance lease arrangements mainly through financial institutions. The average lease term is 4.5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.75% to 6.54% per annum as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017 respectively. The leases have no terms of renewal or purchase options and escalation clauses.

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The carrying amounts of all finance lease liabilities are denominated in HKD. The following table sets out our obligations under finance leases repayable as at the respective dates indicated:

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March		30 November	As at 31 March	As at 31 March		30 November	As at 31 March
	2015	2016	2016	2017	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)				(unaudited)	
Obligations under finance leases payable:								
Within one year	607	607	607	576	522	551	570	549
Within a period of more than one year but not more than two years	607	576	452	281	551	549	443	277
Within a period of more than two years but not more than five years	<u>856</u>	<u>280</u>	<u>—</u>	<u>—</u>	<u>826</u>	<u>277</u>	<u>—</u>	<u>—</u>
	2,070	1,463	1,059	857	1,899	1,377	1,013	826
Less: future finance charges	<u>(171)</u>	<u>(86)</u>	<u>(46)</u>	<u>(31)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u><u>1,899</u></u>	<u><u>1,377</u></u>	<u><u>1,013</u></u>	<u><u>826</u></u>	<u><u>1,899</u></u>	<u><u>1,377</u></u>	<u><u>1,013</u></u>	<u><u>826</u></u>
Less: Amount due for settlement within twelve months (shown under current liabilities)					<u>(522)</u>	<u>(551)</u>	<u>(570)</u>	<u>(549)</u>
Amount due for settlement after twelve months					<u><u>1,377</u></u>	<u><u>826</u></u>	<u><u>443</u></u>	<u><u>277</u></u>

The carrying amounts of the finance leases liabilities were approximately HK\$1.9 million, HK\$1.4 million, HK\$1.0 million and HK\$0.8 million as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017, respectively, and the liabilities are secured by our motor vehicles.

### Contingent liabilities

We had contingent liabilities of approximately HK\$0.6 million, HK\$0.8 million, HK\$1.8 million and HK\$1.5 million as at 31 March 2015, 31 March 2016, 30 November 2016 and 31 March 2017 respectively for indemnities issued to banks and an insurance company for performance bonds in respect of contracts for management contracting services.

The performance bonds were issued by banks in favour of our customers as security for due performance and observance of our obligations under the contracts. If we fail to provide satisfactory performance to our customers covered by performance bonds, such customers may demand the surety bank to pay to them the sum or sums stipulated in such demand and the bank may forfeit an equivalent amount from the deposit we placed. During the Track Record Period and up to the Latest Practicable Date, no customers called any performance bond.

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### Commitments

Our Group had outstanding commitments in respect of future minimum lease payment under non-cancellable operating leases in respect of rented premises as at the respective dates indicated:

	As at 31 March		As at	As at
	2015	2016	30 November	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>	<i>2017</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	698	417	1,480	1,609
In the second to fifth year inclusive	145	—	869	383
	843	417	2,349	1,992

Leases in respect of premises are negotiated, and monthly rentals are fixed, for terms ranging from 1–2 years as at the end of each reporting period.

As at 31 March 2017, save as disclosed in the sub-section headed “Indebtedness” above, our Group did not have outstanding mortgage, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

Our Directors confirmed that (i) there has not been any material change in our indebtedness and contingent liabilities since 31 March 2017 and up to the Latest Practicable Date; (ii) the bank borrowings and bank facilities are subject to the standard banking conditions and covenants; (iii) the Group has complied with all of the covenants under the Group’s bank borrowings during the Track Record Period; (iv) the Group has not received any notice from the bank indicating that it might withdraw or downsize the bank borrowings and banking facilities; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

### KEY FINANCIAL RATIOS

	Notes	Year ended 31 March		Eight months
		2015	2016	ended
				30 November
				2016
Return on equity (%)	(1)	66.3	35.8	N/A (Note 8)
Return on total assets (%)	(2)	16.8	18.9	N/A (Note 8)
Interest coverage ratio (times)	(3)	25.0	19.5	N/A (Note 9)



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		As at 31 March		As at
		2015	2016	30 November 2016
Gearing ratio (%)	(4)	106.4	52.7	56.1
Net debt to equity ratio (%)	(5)	82.9	20.0	51.2
Current ratio (times)	(6)	1.4	2.2	2.1
Quick ratio (times)	(7)	1.4	2.2	2.1

*Notes:*

- (1) Return on equity is calculated based on profit for the year for each reporting year divided by the total equity as of the end of each reporting year and multiplied by 100%.
- (2) Return on total assets is calculated based on profit for the year for each reporting year divided by total assets as of the end of each reporting year and multiplied by 100%.
- (3) Interest coverage ratio is calculated based on our profit before finance costs and income tax divided by our finance costs for each reporting year.
- (4) Gearing ratio is calculated based on our total borrowings, bank overdrafts and obligations under finance leases divided by our total equity as of the end of each reporting year/period and multiplied by 100%.
- (5) Net debt to equity ratio is calculated based on our net debt (namely total debts net of cash and cash equivalents) divided by our total equity as of the end of each reporting year/period and multiplied by 100%.
- (6) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the end of each reporting year/period.
- (7) Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as of the end of each reporting year/period.
- (8) Return on equity/total assets is not applicable since the recorded net loss only represents the amount for the eight months ended 30 November 2016.
- (9) Interest coverage ratio is not applicable since the Group recorded net loss for the eight months ended 30 November 2016.

### **Return on equity**

Our return on equity decreased from approximately 66.3% for the year ended 31 March 2015 to approximately 35.8% for the year ended 31 March 2016, which was primarily due to the increase in total equity of approximately 164.2% outweighed the increase in our net profit of approximately 42.9%. The increase in our total equity was primarily due to the proceeds from the First Pre-IPO investment of approximately HK\$10.0 million and the increase of our net profit for the year ended 31 March 2016.

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### Return on total assets

Our return on total assets increased from approximately 16.8% for the year ended 31 March 2015 to approximately 18.9% for the year ended 31 March 2016, which was primarily due to the increase in our net profit of approximately 42.9% outweighed the increase in total assets of approximately 27.2%. The increase in our net profit was mainly attributable to the increase in our revenue and gross profit derived from the increased number of variation orders with higher gross profit margin from the Project A.

### Interest coverage ratio

Our interest coverage ratio decreased from approximately 25.0 times for the year ended 31 March 2015 to approximately 19.5 times for the year ended 31 March 2016, which was primarily due to the increase in finance cost attributable to the increase in the level of bank borrowings from approximately HK\$6.5 million as at 31 March 2015 to approximately HK\$11.2 million as at 31 March 2016.

### Gearing ratio

The gearing ratio decreased from approximately 106.4% as at 31 March 2015 to approximately 52.7% as at 31 March 2016, which was primarily due to the increase in our total equity outweighed the increase in the level of bank borrowings. The increase in total equity was primarily due to the proceeds from the First Pre-IPO investment of approximately HK\$10.0 million and the increase of our net profit for the year ended 31 March 2016.

Our gearing ratio increased from approximately 52.7% as at 31 March 2016 to approximately 56.1% as at 30 November 2016, which was primarily due to the increase in the level of bank borrowings outweighed the increase in our total equity. The increase in the level of bank borrowings was primarily due to the additional term loan raised during the period, whereas the increase in our total equity was primarily due to the proceeds from the Second Pre-IPO investment of approximately HK\$8.0 million.

### Net debt to equity ratio

The net debt to equity ratio decreased from approximately 82.9% as at 31 March 2015 to approximately 20.0% as at 31 March 2016, which was primarily due to the decrease in our level of net debt (total debts net of cash and cash equivalents) together with the increase in our total equity. The decrease in our level of net debt was primarily due to the increase in our cash and cash equivalent which was mainly attributable to (i) the settlement of the amount due from a director of approximately HK\$7.1 million as at 31 March 2016 and (ii) the proceeds from the First Pre-IPO investment of HK\$10.0 million; whereas the increase in total equity was primarily due to the proceeds from the First Pre-IPO investment of approximately HK\$10.0 million and the increase of our net profit for the year ended 31 March 2016.

Our net debt to equity ratio increased from approximately 20.0% as at 31 March 2016 to approximately 51.2% as at 30 November 2016, which was primarily due to the increase in our level of net debt (total debts net of cash and cash equivalents). The increase in our level of net debt was primarily due to (i) the additional term loan raised during the period and (ii) the decrease in our cash and cash equivalent attributable to the net operating cash outflow.

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### **Current ratio**

Our current ratio increased from approximately 1.4 times as at 31 March 2015 to approximately 2.2 times as at 31 March 2016, which was primarily due to the increase in total current assets of approximately 22.1% which was in line with the increase in our scale of business together with the decrease in total current liabilities of approximately 24.7% due to the increase in net amounts due from customers for contract works and trade and other debtors, deposits and prepayments.

Our current ratio remained stable at approximately 2.2 times and 2.1 times as at 31 March 2016 and 30 November 2016, respectively.

### **Quick ratio**

Our quick ratio increased from approximately 1.4 times as at 31 March 2015 to approximately 2.2 times as at 31 March 2016 and remained stable at approximately 2.1 times as at 30 November 2016. The quick ratio was in line with the fluctuation in our current ratio over the same period as our Group did not have inventory during the Track Record Period.

### **CAPITAL EXPENDITURES**

Our capital expenditures are used principally in connection with purchases of office equipment (mainly computers and air-conditioners) and motor vehicles. For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, our total capital expenditures amounted to approximately HK\$2.1 million, HK\$0.5 million and HK\$0.1 million respectively.

We currently expect to finance future capital expenditures principally by our internal resources. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of our business plan, including potential acquisitions, the market conditions and the outlook of our future business conditions. As we will continue to expand, additional capital expenditure may be incurred and we may consider raising additional funds as and when appropriate. Our ability in obtaining additional funding in the future is subject to a variety of uncertainties including our further operation results, financial condition and cash flows, economic, political and other conditions in Hong Kong and Macau.

### **RELATED PARTY TRANSACTIONS**

In respect of the related party transactions set out in Note 33 of the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on arm's length basis and their terms were fair, reasonable and in the interest of the Shareholders as a whole.

### **SUBSEQUENT CHANGES**

Our Directors further confirm that they are not aware of any material delay in our projects, cancellation of orders, any material default in payment by our customers, from 30 November 2016 and up to the Latest Practicable Date.

## FINANCIAL INFORMATION

### OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

### MARKET RISKS

Our activities expose us to a variety of market risks, including, currency risk, credit risk, interest rate risk and liquidity risk. The Group's risk management strategy aims at minimising the adverse effects of these risks on the financial performance.

#### Currency risk

Our Group is exposed to currency risk as several group companies have bank balances and cash and bank overdrafts denominated in foreign currencies. As most of the aforementioned balances are denominated in US\$ and MOP and HKD is pegged to US\$ while MOP is pegged to HKD, our foreign currency risk exposure is not considered to be significant. Please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus for further details regarding the currency risk.

#### Credit risk

Our Group exposes to credit risk primarily due to the collectability risk of the trade debtors and retention receivables. Our Directors consider that our customers are reputable corporations and hence the credit risk attached to these customers relatively low. Our Group performs on-going credit evaluation on the financial condition on our trade debtors and tightly monitors the ageing of the trade debtors. Our Group would take necessary follow up action in case of overdue balances or when the above credit evaluation results draw the attention of our Directors. In addition, our management reviews the recoverable amount of the accounts receivable individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by our Group during the Track Record Period and are considered to be effective in limiting our exposure to credit risk.

Our Group has concentration of credit risks with exposure limited to certain customers. As at 31 March 2015 and 2016 and 30 November 2016, the outstanding balances from the five largest customers, which have been included in trade debtors and retention receivables, amounted to approximately HK\$10.9 million, HK\$16.4 million and HK\$20.1 million in aggregate, of which represents approximately 88.3%, 87.4% and 89.8% of the total trade debtors and retention receivables as at 31 March 2015, 31 March 2016 and 30 November 2016 respectively. In view of their credit standings, good payment record in the past and long term relationships with the Group, the directors of the Company consider that the Group's credit risk is not material.

The credit risk for bank balances, cash and pledged and restricted bank deposits is considered as not material as such amounts are placed in banks with high credit-ratings.

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### Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to pledged and restricted bank deposits, bank balances and bank borrowings.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we estimated that a change of 50 basis points in interest rates on bank borrowings, and all other variables were held constant, our Group's post-tax profit for the year would decrease/increase by approximately HK\$27,000, HK\$47,000 and HK\$69,000 for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 respectively. No sensitivity analysis on the fluctuation in the interest rate on bank deposits and bank balances are prepared as the exposure is considered as insignificant and minimal. Please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus for further details regarding the interest rate risk.

Having balanced the cost and benefit, our Directors consider it not necessary to have a policy on hedges of interest rate risk. Nevertheless, the management of our Group keeps monitor any change of interest exposure and will consider implementing measures from time to time to mitigate the adverse change of interest rate should the need arise.

### Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, to maintain sufficient reserves of cash from short term to long term. Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

For details of our Group's contractual maturity for our non-derivative financial liabilities based on the agreed repayment terms, please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus for further details regarding the liquidity risk.

## FINANCIAL INSTRUMENTS

We have not entered into any financial instruments for hedging purposes.

## CAPITAL COMMITMENTS

We had no material capital commitments as at 31 March 2015 and 2016 and 30 November 2016 respectively.

## WORKING CAPITAL

During the Track Record Period, we financed our working capital requirement principally with (i) internally generated funds, primarily being cash generated through payment from our customers and (ii) bank borrowings (including short-term borrowings, long-term borrowings and credit facilities).

Taking into account the financial resources available to our Group, including the internally generated funds, the estimated net proceeds from the Public Offering and our available credit facilities, our Directors are of the view that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

## FINANCIAL INFORMATION

### LISTING EXPENSES

The estimated listing expenses, which are non-recurrent in nature, are approximately HK\$27.0 million of which (i) approximately HK\$8.2 million for the issue of new Shares is expected to be accounted for as a deduction from equity; and (ii) approximately HK\$18.8 million has been or will be charged to the Group's profit or loss account before or upon completion of the Listing.

For the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, we have incurred listing expenses of nil, approximately HK\$2.6 million and HK\$10.0 million respectively. It is expected that an amount of approximately HK\$2.5 million and HK\$3.7 million will be charged to our Group's profit or loss account for the four months ended 31 March 2017 and the year ending 31 March 2018 respectively. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ended 31 March 2017 would be materially and adversely affected by the estimated listing expenses mentioned above.

### DIVIDEND

During the Track Record Period, we declared dividends of nil, approximately HK\$5.2 million and nil for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016, respectively. The dividend for the year ended 31 March 2016 was fully settled in March 2016.

Dividends declared and paid in prior periods may not be indicative of our Company's future dividend payments and any future declaration of dividends will be at the absolute discretion of our Directors. We cannot guarantee when, if and in what form dividends will be paid in the future.

We currently do not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. Our Directors may recommend a payment of dividends in the future after taking into account of the following factors:

- our operations and earnings;
- capital requirements and surplus;
- general financial condition;
- contractual restrictions;
- capital expenditure and future development requirements;
- shareholders' interests; and
- other factors which they may deem relevant at such time.

Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

## FINANCIAL INFORMATION

### DISTRIBUTABLE RESERVE

As at 30 November 2016, the aggregate amount of distributable reserves of our Company was approximately HK\$24.7 million.

### TAXATION

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law. 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 our 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.

Hong Kong Profits Tax have been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period. Pursuant to the tax incentive approved under section 20 of Decree Law No. 9/2014, Macau complementary tax is levied at a fixed rate of 12% on the taxable income above MOP600,000.

### LATEST DEVELOPMENT

After the end of the Track Record Period and up to the Latest Practicable Date, we have submitted 27 tenders with aggregate tender sum of approximately HK\$147.3 million and 10 tenders were awarded to us with tender sum of approximately HK\$47.2 million and 13 tender results with aggregate tender sum of approximately HK\$93.2 million are yet to be released.

As at the Latest Practicable Date, the total outstanding contract sum and variation orders for management contracting services on hand was approximately HK\$107.3 million, of which approximately HK\$42.1 million, HK\$48.3 million and HK\$16.9 million are expected to contribute to our revenue for the years ended/ending 31 March 2017, 2018 and 2019 respectively. All existing projects on hand have continued to contribute revenue to our Group and none of them have had any material interruption.

It is currently expected that projects in Macau will continue to contribute significant amount of revenue to our Group for the year ended 31 March 2017. According to the F&S Report, the growth rate of the gross value of the construction works in Macau is expected to decrease from a CAGR of approximately 29.9% for 2010 to 2016 to a CAGR of approximately 18.2% for 2016 to 2020. However, given that (i) the gross value of the construction works in Macau is expected to reach to approximately MOP209.6 billion in 2020 with more than 900 water-related facilities that are expected to be completed in casinos and hotels in Macau and over 2,000 units of newly constructed private residential units are expected to be built annually from 2017 to 2020 according to the F&S Report; and (ii) we have secured 21 on-going projects with outstanding contract sum and variation orders of approximately HK\$107.3 million up to the Latest Practicable Date, our Directors are of the view that the slowdown of the growth rate of the gross value of the construction works in Macau will not have any material impact on our Group's business operation for the year ended 31 March 2017.

Save and except for the listing expenses, our Group did not have any significant non-recurrent items on our consolidated statements of comprehensive income after the Track Record Period.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details.

### DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, except otherwise disclosed in this prospectus, as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### NO BUSINESS INTERRUPTION

Our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all due diligence work which our Directors consider appropriate, that, save and except the non-recurring listing expenses charged or expected to charge for the year ended 31 March 2017 of approximately HK\$12.5 million, details of which are set out in the paragraph headed “Listing Expenses” in this section, there has been no material adverse change in our financial position or prospects since 30 November 2016 and up to the date of this prospectus.

### PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2017

Estimated consolidated profit attributable to owners of our Company ( <i>Note 1</i> )	Not less than HK\$0.8 million
Unaudited pro forma estimated earnings per Share ( <i>Note 2</i> )	Not less than HK0.06 cent

*Notes:*

1. The bases on which the above estimate for the year ended 31 March 2017 has been prepared are summarised in Appendix III to this prospectus. The estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2017 is based on the audited consolidated result of our Group for the eight months ended 30 November 2016 and the unaudited consolidated result of our Group based on our management accounts for the four months ended 31 March 2017. Our Directors estimate that the profit attributable to owners of our Company will decrease from approximately HK\$9.6 million for the year ended 31 March 2016 to approximately HK\$0.8 million for the year ended 31 March 2017, primarily due to the recognition of listing expenses of approximately HK\$12.5 million for the year ended 31 March 2017.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2017 and on the assumption that 1,300,000,000 Shares had been in issue throughout the year ended 31 March 2017.



## **FUTURE PLANS AND USE OF PROCEEDS**

### **FUTURE PLANS, BUSINESS OBJECTIVES AND STRATEGIES**

Please refer to the paragraph headed “Business — Our business strategies” in this prospectus for our Group’s business objectives and strategies.

### **REASONS FOR THE PUBLIC OFFERING**

Our Directors believe that the Public Offering will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans set out in the paragraph headed “Implementation plans” in this section. As shown in the implementation plans, we have formulated the blueprint of how the financial resources obtained through the Public Offering will be applied in support of our development plan, in particular majority of the resources will be applied for purchasing performance bonds required by our customers thereby enhancing our financial liquidity. We can therefore maintain a healthy gearing ratio and minimise our exposure to interest and finance cost risks amid the growth and expansion of our Group, when compared to the approach if we opt for bank borrowing or debt financing. Our Directors consider the Public Offering and the Listing will bring the following benefits to us:

#### **To enhance our Company’s cashflow**

According to the F&S Report, the water-related facility service market in Hong Kong and Macau is projected to have a growth in the next few years and the market value is expected to reach HK\$264.8 million and HK\$280.5 million in 2020 respectively, representing a CAGR of 12.1% and 19.3% respectively. Limit in financial resources becomes a bottleneck of our Group’s development, which seriously restrains our Group from taking up additional mega-sized project and diversify our customer base.

As mentioned in the section headed “Business — Working capital and cost management” in this prospectus, our Group usually incurs cash outflow at the early stage for procurement of consumables and engagement of sub-contractors for carry out the work. The customers will pay progress payment after the work of our Group commences and such works and payments are certified by the customers or their consultants. Under normal circumstances, there is usually a time gap of approximately 3 months to 6 months between the cash outflow and cash inflow of a project. In respect of the final payment, it generally takes approximately 18–24 months from the date of practical completion for us to reach an agreement on the final account with our customers taking into account the value of our work done (including variation orders (if any)) and the retention monies. The cashflow mismatch of mega-sized project is even more significant as compared with swimming pool project in private residence.

The Listing will help our Group to alleviate the problem in connection with the cashflow mismatch due to the time differences between making payments to our suppliers and sub-contractors and receiving payments from our customers, thus providing us with the flexibility in management of our cash positions among various projects.

Further, the exact period during which a project will proceed is not controlled by our Group, but the project owners. Limit in financial resources may limit our flexibility in taking up other new business opportunities, which our Group considers appropriate taking into account the risk in the delay in project completion.

## FUTURE PLANS AND USE OF PROCEEDS

The Listing can help to alleviate such situation for the following reasons:

1. being a private company, apart from operating cashflow, our Group mainly relies on loan financing by the banks. However, the banks usually assess our Group's credit facility with reference to our historical financial performance. In view of our Group's fast growing business in the past few years, the bank facility granted by the banks were always far below our Group's needs for business operation. Further, it is necessary to repay the principal, interest and other bank charges to the banks, which poses further cashflow pressure on our Group;
2. the Listing can provide our Company with various sources of funding, including financing by way of issue of shares, convertible securities, options, etc. In particular, no repayment by our Group for equity financing is required and it provides a more flexible way for our Company in terms of cashflow management;
3. being a listed company will enable our Group to introduce investors with equity funding more easily since it is not necessary to engage in lengthy negotiations on the market valuation of our Group and potential investors which are looking for investment opportunities will be able to locate our Group and gain basic understanding of our Group based on the public available information;
4. it is anticipated that the Listing will provide significant confidence to the banks for financing with higher principal amount and more favourable terms;
5. it is also anticipated that the Listing will also provide confidence to our Group's suppliers and sub-contractors to offer more favourable payment terms;
6. the banks providing financing to our Group usually impose certain restrictive covenants in their facility agreement. Such covenants contain, inter alia, restrictions on our Group to incur further indebtedness, create security over the assets of our Group, etc. and these restrictive covenants seriously restricts the flexibility of our Group in raising fund in the future;
7. our Group is required to provide performance bonds for some of the projects and any material delay in the release of the performance bond as a result of, inter alia, delay in project completion or disagreement with the customers may affect our cashflow;
8. the Listing will enable our Group to enlarge its size of operation and professional teams and therefore our Group may participate in more projects at the same time and there will be more room and flexibility for the management to formulate strategies to hedge against the liquidity risks of one project against the other project;
9. our Group had limited amount of cash as at the Latest Practicable Date and the proceeds of the Public Offering will definitely have a positive effect on the cash position of our Group.

## **FUTURE PLANS AND USE OF PROCEEDS**

### **To further alleviate the issue of project/customer concentration**

Due to the existing size of our Group, a mega-sized project would occupy a substantial part of our resources and we may not be able to take up other projects. This inevitably resulted in project/customer concentration. The issue of project concentration is improving. Project A is not the only mega-sized project which we are involved in. In 2016, we have also provided management contracting services of a water fountain and swimming pools in a hotel, casino, shopping and recreation complex in Macau with contract sum of approximately HK\$35.5 million and such contract sum is of comparable amount with that of Project A. Given our experience in handling mega-sized projects, our Directors are confident that our Group will be able to continue to secure new mega-sized projects in Hong Kong and Macau in the future. For details regarding project/customer concentrations, please refer to the paragraph headed “Business — Project/Customer concentration” in this prospectus.

In fact, our Group does not solely rely on one or a few customers in securing business opportunities and receives tender invitations from a number of potential customers from time to time. For the year ended 31 March 2016, we received tender invitations from over 20 existing/potential customers. Our Group considers and assesses various business opportunities available to us and choose to secure those business opportunities after taking into account various factors which the management considers relevant, including the profitability, experience and reputation which can be gained from the project. After selection, we will devote our resources to those projects during the project periods.

With the proceeds from the Public Offering, we will have more resources and we plan to use the listing proceeds to expand the size of our professional teams to strengthen our capacity. We will then be able to devote our resources in more mega-sized projects without compromising the quality of our services. Such move is strategic in practice.

In this connection, it is anticipated that our Group will have capacity to deal with an increasing number of projects at the same time as compared with now and the percentage in terms of revenue generated from a particular project would be further diluted. As such, the issue of project concentration can be further alleviated.

### **To meet the internal eligibility requirements for participation in mega-sized projects**

It is a long-term strategy of our Group to take up more mega-sized projects instead of participating in numerous standard swimming pool projects.

As mentioned in the section headed “Risk Factors” in this prospectus, for mega-sized projects, we alone may not be able to satisfy the internal eligibility requirements set by the developers or the main contractors and therefore we may not be considered as their preferred tenderer. Under such circumstance, we have to act as the sub-contractor of other eligible party to participate in those projects. Our Directors understand that every project usually has its own eligibility requirements such as: (i) value of contracts handled by us in the past; (ii) our annual turnover; (iii) our financial position (whether we are strong enough to support the operating cash for completing the project); (iv) number and qualification of our technical staff; and (v) registration with relevant authorities in Hong Kong and Macau. For mega-sized projects, the internal eligibility requirements are more stringent. Besides, some customers, especially for those mega-sized projects, require our Group to provide performance bonds issued by banks or insurance companies in favour of them as security for due performance. We were told that we were not considered as preferred tenderer to submit our tender to the project owner on our

## FUTURE PLANS AND USE OF PROCEEDS

own in a Hong Kong theme park project because of our weak financial status, which we believe referred to our insufficient financial resources to secure the performance bond. Given that our Group is usually required to deposit an equivalent sum of monies to the bank or insurance companies as security, the performance bonds requirement will pose cashflows pressures on our Group. As mentioned in the paragraph headed “Further details on the use of proceeds for performance bond”, for loan financing, (i) it is necessary to repay the principal, interest and bank charges to the banks, (ii) our Group may also be required to provide security for loan financing and due to the nature of the business of our Group, it has limited assets which can be used as security, (iii) the banks usually impose certain restrictive covenants in their facility agreement, which seriously restrict the flexibility of our Group in raising fund in the future or adversely affecting our Group’s operation if undesirable situation happens, and (iv) any material delay in the release of the performance bond may affect our cashflow and hence our ability to repayment of bank loans, which in turn may lead to substantial operational risk to our Group. During the Track Record Period and up to the Latest Practicable Date, we submitted 11 tenders for mega-sized projects as a sub-contractor of which 5 projects with aggregate contract sum of approximately HK\$126.4 million were awarded to us, and the tender result of the 4 projects with aggregate contract sum of approximately HK\$174.7 million is yet to be released. The Listing will enable our Group to meet some of those internal eligibility requirements such that we can submit the tender directly to the developers/main contractors on our own and do not need to rely on other contractors in participating in those projects.

Being a listed company will allow our Company more flexibility in determining the forms and terms of co-operation with third parties. Subject to the availability of our capacity and resources, and whether we receive the tender invitations, we are interested in participating in all of the aforementioned potential projects and preferably solely on our own.

Our Directors consider that submitting tenders directly to the developers/main contractors and participating in mega-sized projects solely on our own has the following benefits:

- We would not be required to share profits of the mega-sized projects with other contractors. Our Directors expect that the gross profit margin of our projects will increase by not less than 5% if we secure mega-sized project on our own instead of acting as a sub-contractor of other parties.
- Without having to rely on other eligible parties in satisfying the internal eligibility requirements for the submission of tender and securing of business, we can have more flexibility in the preparation of the submission of tender documents as well as in the management and completion of mega-sized projects.
- We can avoid bearing double credit risk of the developers/main contractors and the other contractors.
- We could streamline the decision making process in tender submission and in the management of mega-sized projects.
- We could better allocate, and have better control over, our manpower, capacity and resources without having to rely on and co-operate with other contractors in participating in mega-sized projects.

## FUTURE PLANS AND USE OF PROCEEDS

Set out below are the details of the tenders for mega-sized projects we have submitted but results are yet to be released as at the Latest Practicable Date and other potential mega-sized projects that we intend to submit tender:

	<b>Estimated contract sum</b>	<b>Expected performance bond required</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>
<b>Tenders submitted but results are yet to be released</b> <i>(Note)</i>		
1. a water park in a theme park in Southern District, Hong Kong	130.0	13.0
2. a water feature in a theme park in Southern District, Hong Kong	12.0	1.2
3. a hotel spa project in Cotai area, Macau	15.0	1.5
4. a recreation complex project in Cotai area, Macau	15.0	1.5
5. a swimming pool in a private residence project in Tuen Mun, Hong Kong	18.2	1.8
6. a swimming pool in a private residence project in Tai Po, Hong Kong	11.5	1.2
 <b>Other potential projects in the market which we intend to submit tenders</b>		
1. a recreation complex project in Cotai area, Macau	35.0	3.5
2. a music fountain in Eastern District, Hong Kong	48.0	4.8
3. a hotel project in Southern District, Hong Kong	10.0	1.0
4. a water feature in a theme park in Macau	25.0	2.5
5. a commercial building project in Wanchai, Hong Kong	13.0	1.3
	332.7	33.3

*Note:* Save for the tenders in relation to a water feature in a theme park in Southern District, Hong Kong and a hotel spa project in Cotai area, Macau with estimated contract sum of approximately HK\$12.0 million and HK\$15.0 million respectively that were submitted by our Group on our own, the remaining four tenders were submitted by our Group as a sub-contractor.

Based on our Directors' best estimation as at the Latest Practicable Date, assuming the aforementioned tenders submitted or intended to submit by our Group were awarded to us, the expected performance bond required is estimated to be approximately HK\$33.3 million. Part of the financial resources required for the performance bonds will be satisfied by the net cash generated from our operating activities after deducting the cash required to maintain our daily operation (the "Untapped Cash from Operations"). Based on the current best estimate of our Directors, approximately HK\$6.8 million of the Untapped Cash from Operations can be used for procuring the performance bonds and hence, the amount of shortfall for the expected performance bond required would be approximately HK\$26.5 million and the same will be satisfied by the proceeds of the Public Offering and bank borrowings.

## **FUTURE PLANS AND USE OF PROCEEDS**

### **To access to the Hong Kong equity market to support and finance its expansion and development**

The Listing will provide our Company with the platform to the access to the Hong Kong equity market and further raise fund in the future to support and finance our expansion and development.

There is always limitation for our Group to obtain loan financing, in particular when the size involved is significant. The bank facility granted by banks were always far below the amount required by our Group and such credit facility had to be secured by (i) bank deposits and (ii) Mr. Nam and Mr. Ng's personal guarantees.

Further, our Group often has to rely on loan financing to obtain the necessary performance bonds for our Group to secure new business. There are usually many restrictions in loan financing. It is usual for the terms of loan financing to include provision such as restrictive covenants and cross default clause. The former will hinder or inhibit our Company's ability to seek further loan financing, and even to the operation of our Company. The latter will lead to severe liquidity risk if our Company fails to repay a particular loan when there is any material delay in the release of the performance bond as a result of, inter alia, delay in project completion or disagreement with the customers.

Given that (i) the proceeds from the First Pre-IPO Investment and the Second Pre-IPO Investment had been fully utilised as at the Latest Practicable Date; and (ii) it is not easy for our Group to obtain additional loan financing, despite the one-off listing expenses, the Listing is still a cost-effective way for our Group to raise capital in the long run. Our Company does not take the view that the Listing is a one-off financing exercise but rather a long term investment. It provides an access to new sources of funding which can supplement the loan financing of our Company.

The Listing, besides bringing the proceeds from the Public Offering proceeds, also brings opportunity to obtain financing in the secondary market by virtue of the liquidity conferred to the shares of our Company by reason of listing.

### **To enable our Company to attract more talents**

Since the experienced staff are crucial to the maintenance of the current status and continuing development of our Group, the Listing will enable us to attract more talents to join and award our staff effectively for their contribution through equity-linked mechanism such as the Share Option Scheme or other incentive schemes. Such schemes will provide incentives to our existing staff to continue to contribute to our Group and they will also provide attractions and competitive advantages in recruiting new staff.

### **To raise our awareness and reputation in the industry**

Most of our customers are sizeable and listed property developers, main contractors and sub-contractors. With a listing status, our Company's profile, awareness and reputation in the industry will be enhanced and raised, which in turn will increase our competitiveness among our competitors and the confidence of potential customers on us. Additionally, a listing status may differentiate us from other competitors during the bidding process and therefore enhance our bidding success rate.

## FUTURE PLANS AND USE OF PROCEEDS

Although we have already secured sizeable listed property developers and contractors as customers and already in a leading position in the industry without a listing status, our management considers that, in order to maintain our competitiveness and our market status, it is necessary to gain further market recognition, both within the industry and outside the industry. The Listing will enable our Group to partially achieve such purpose. The Listing will further enhance our reputation in the industry and bring significant improvement to our Group's business in light of the following factors:

1. although our Group is in a leading position in the industry for the time being, our Directors, being entrepreneurs with visions and commitments, consider that, instead of just enjoying the status quo, they feel obliged to continue to further develop the business of our Group and strengthen its market position by further engagement with other property developers;
2. further, despite the leading position in the industry, such leading status is not prominent and the market share of our Group in terms of sales revenue still represents less than 50% in Macau and represents only approximately 28.4% in Hong Kong in 2016 and there is still much room for improvement in the market share of our Group;
3. our Group faces competitions from both local competitors and international competitors. As Macau continues to develop, it is anticipated that more international developers and contractors may participate in projects in Macau which may in turn led to more international competitors in our industry trying to tap into the Macau market and intensify the competition. We consider that the listing status will enable our Company to distinguish ourselves from other local and international competitors;
4. our Directors consider that a listing status will enable our new customers to assess our Group's capability more easily through publicly available information and to include our Group into their tender invitation list for mega-sized projects;
5. for projects that have very stringent internal eligibility requirements, our Company may only act as the sub-contractor of other eligible parties to participate in mega-sized projects by sharing our Group's expertise. The Listing can strengthen the financial resources of our Company and enable our Company to expand its staff team, which in turn will expose more opportunities for our Group to submit tenders directly to the developers or main contractors on our own. As at the Latest Practicable Date, our Group has a total of 24 employees. Our Group plans to utilize approximately HK\$4.5 million from the proceeds of the Public Offering to recruit 1 chartered senior engineer, 1 quantity surveyor, 2 assistant project managers and 2 engineers for the expansion and strengthening its project team;
6. being a listed company, it will definitely be easier for our Company to attract and retain talented professionals to join our Company as a listed company is at a higher tier compared with a private company;
7. with reporting by the mass media, publication of periodic financial reports and other announcement and holding of annual general meeting in accordance with the GEM Listing Rules, it will be definitely easier for our Group to stand out from existing competitors and increase public recognition of our Group's leading position in the industry; and



## FUTURE PLANS AND USE OF PROCEEDS

8. our Group will expand its business, recruit additional professional staff and establish an office in Macau after Listing. Our Macau customers would have more confidence in our Group in view of such expansion plan in Macau.

### **To enhance our Company's internal control, risk management and corporate governance**

Our Directors are of the view that the internal control, risk management and corporate governance system of our Company is sound and effective. Nevertheless, there are always rooms for improvement. The Listing will bring much benefit to our Company in terms internal control, risk management and corporate governance systems as follows:

1. the Listing status will enable our Group to attract persons who are competent in internal control and risk management to join our Company, whether as independent non-executive directors, compliance officers, company secretary or otherwise;
2. the on-going compliance with the GEM Listing Rules will serve as an effective and clear yardstick for our Company and its staff to maintain good internal control and risk management;
3. the requirement on appointment of independent non-executive directors and the establishment of the audit committee, remuneration committee and nomination committee will help to maintain check and balance within the management structure;
4. the periodic financial reporting obligations of our Company and the composition of the Board will help to make the Group's operation more transparent and minimize abuse of power; and
5. the monitoring by mass media and scrutiny by the public on listed companies will also help our Group to continuously maintain its momentum in internal control and corporate governance.

### **USE OF PROCEEDS**

The net proceeds from the Public Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Public Offering), assuming a Offer Price of HK\$0.23 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), are estimated to be approximately HK\$47.8 million. We intend to use all proceeds of the Public Offering for the following purposes:

- approximately HK\$24.5 million, representing approximately 51.2% of the net proceeds, for strengthening of our leading position in the water-related facility service market in Hong Kong and Macau by enhancing our capital base to undertake more projects;
- approximately HK\$9.5 million, representing approximately 19.9% of the net proceeds, for repayment of bank borrowings;
- approximately HK\$4.5 million, representing approximately 9.4% of the net proceeds, for strengthening our technical and project management capabilities;



## FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$3.1 million, representing approximately 6.5% of the net proceeds, for establishing a Macau office/warehouse;
- approximately HK\$2.0 million, representing approximately 4.2% of the net proceeds, for purchase of tools and equipment; and
- approximately HK\$4.2 million, representing approximately 8.8% of the net proceeds, will be used as general working capital of our Group.

### **Further details on the use of proceeds for performance bond**

The proceeds from the Public Offering in the sum of HK\$24.5 million will be used to strengthen our industry position by using it to satisfy the performance bond requirement and to enhance the financial position of our Company.

By satisfying the performance bond requirement and minimum financial status requirement, our Company will be able to participate in more projects and directly with the developers or main contractors on its own.

The Directors consider that equity financing is better than loan financing for us to satisfy the performance bond requirement in view of the following:

1. no interest cost will be incurred by our Group for equity financing;
2. as mentioned above, for loan financing, it is necessary to repay the principal, interest and bank charges to the banks. Given that it is unlikely that our Group can withdraw the security deposits for the performance bonds, the requirements for repayment will pose cashflows pressure on our Group;
3. our Group may be required to provide security for loan financing and due to the nature of the business of our Group, it has limited assets for security. As such, the funding that we may obtain by loan financing is generally not sufficient to meet our business development;
4. as mentioned above, for loan financing, the banks providing financing to our Group usually impose certain restrictive covenants in their facility agreement. Such covenants contain, inter alia, restrictions on our Group to incur further indebtedness, create security over the assets of our Group, etc. and these restrictive covenants seriously restrict the flexibility of our Group in raising fund in the future or adversely affecting our Group's operation if undesirable situation happens; and
5. our Group is required to provide performance bonds for some of the projects and any material delay in the release of the performance bond as a result of, inter alia, delay in project completion or disagreement with the customers may affect our cashflow and hence our ability to repayment of bank loans, which in turn may lead to substantial operational risk to our Group.

## FUTURE PLANS AND USE OF PROCEEDS

### Further details on the repayment of bank borrowings

The proceeds from the Public Offering in the sum of HK\$9.5 million will be used for repayment of bank overdrafts and bank borrowing to reduce the finance cost, a summary of which is as follows:

Principal amount	Use of the borrowing	Interest rate	Maturity Date
Approximately HK\$8 million	Repayment of the revolving loan and overdraft drawn in January 2017 for settlement of the term loan from the same bank	0.75% over the HKD prime rate per annum for the revolving loan and 1% over the HKD prime rate per annum for the overdraft	Repayable on demand
Approximately HK\$1.5 million	Repayment of the instalment loans drawn in August 2016 and January 2017 for the settlement of the project costs of our Group	0.75% over the HKD prime rate per annum	2 years from the date of drawdown

### Further details on the use of proceeds for purchase of tools and equipment

Proceeds from the Public Offering for purchase of tools and equipment will be mainly used to purchase the following types of tools and equipment:

Types of tools and equipment	Approximate amount of proceeds from the Public Offering HK\$'000
(1) Electric Scissor Lift	600
(2) Aluminium safety working platform	400
(3) Certified measurement equipment (such as threading machine, bending machine, flow meter and pressure gauges, hydraulic pump with pressure gauges and insulation tester etc.)	800
(4) Van	200
Total:	2,000

## FUTURE PLANS AND USE OF PROCEEDS

We did not purchase our own equipment in the past mainly because we have to allocate its limited financial resources for its operation due to cash flow mismatch. Our management believes that changing the practice of relying on the subcontractors to provide the equipment will bring us the following benefits:

1. with our own equipment, we can broaden our approved sub-contractor list as the sub-contractors need not to own those equipment for executing the project work, which enable our Group to have more choices and higher flexibility in selecting the sub-contractors;
2. if the sub-contractors are required to provide equipment, it is necessary for our Group to match their work schedule because the equipment of the sub-contractors may be used in some other projects at the material time. We can have more flexibility and better control over our work schedule and progress of the projects on hand if we have our own tools and equipment; and
3. with our own equipment, the sub-contracting fees charged by the sub-contractors are lower and our Group can reduce the sub-contracting cost. Our Directors estimate that our Group can reduce approximately 2% to 5% of the sub-contracting cost if we have our own equipment.

The intended timing of the deployment of the proceeds (other than working capital) is as follows:

	<b>From the Latest Practicable Date to 30 September 2017 <i>HK\$ million</i></b>	<b>For the six months ending 31 March 2018 <i>HK\$ million</i></b>	<b>For the six months ending 30 September 2018 <i>HK\$ million</i></b>	<b>For the six months ending 31 March 2019 <i>HK\$ million</i></b>	<b>For the six months ending 30 September 2019 <i>HK\$ million</i></b>	<b>Total <i>HK\$ million</i></b>
Strengthening of our industry position and expansion of our business	13.0	2.0	5.0	4.5	—	24.5
Repayment of bank borrowings	8.0	—	1.5	—	—	9.5
Strengthening our technical and project management capabilities	0.8	1.1	1.3	1.3	—	4.5
Establishing a Macau office/warehouse	1.6	1.1	0.4	—	—	3.1
Purchase of tools and equipment	2.0	—	—	—	—	2.0
<b>Total</b>	<b>25.4</b>	<b>4.2</b>	<b>8.2</b>	<b>5.8</b>	<b>—</b>	<b>43.6</b>

## FUTURE PLANS AND USE OF PROCEEDS

The balance of approximately HK\$4.2 million will be used as general working capital of our Group.

If the final Offer Price is set at: (i) the lowest; or (ii) the highest of the indicative Offer Price range, the net proceeds from the Public Offering are estimated to be (i) approximately HK\$38.0 million; or (ii) approximately HK\$57.5 million respectively. If the Offer Price is finally determined to be less than HK\$0.23 (being the mid-point of the indicative range of the Offer Price), our Group will reduce the proposed use of net proceeds on a pro rata basis and will finance such shortfall by internal cash resources, working capital and/or other financing, as and when appropriate. If the Offer Price is finally determined to be more than HK\$0.23, our Group will apply the additional net proceeds to the above purposes in the same proportions as set out above.

To the extent that the net proceeds from the Public Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits with licensed banks and/or financial institutions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

### IMPLEMENTATION PLANS

Our Group will utilise the net proceeds from the Public Offering to implement part of the business strategies of our Group and the implementation plans are set out below for each of the six-month periods until 31 March 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors; in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group’s business objective, our Directors intend to carry out the following implementation plans:

#### From the Latest Practicable Date to 30 September 2017

Business strategy	Source of funding	Implementation Plan
Strengthening of our industry position and expansion of our business	To be funded by net proceeds from the Public Offering of approximately HK\$13.0 million	<ul style="list-style-type: none"> <li>● Undertake more projects and satisfy potential requirements of performance bond</li> </ul>
Repayment of bank borrowings	To be funded by net proceeds from the Public Offering of approximately HK\$8.0 million	<ul style="list-style-type: none"> <li>● Repay outstanding amount under the bank borrowings advanced to our Group</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Source of funding	Implementation Plan
Strengthening our technical and project management capabilities	To be funded by net proceeds from the Public Offering of approximately HK\$0.8 million	<ul style="list-style-type: none"> <li>● Recruit additional professional staff with relevant experience, including one chartered senior engineer, one quantity surveyor, one assistant project manager and one engineer</li> <li>● Provide technical seminars and safety courses for our staff</li> </ul>
Establishing a Macau office/warehouse	To be funded by net proceeds from the Public Offering of approximately HK\$1.6 million	<ul style="list-style-type: none"> <li>● Rent an office/a warehouse in Macau</li> <li>● Renovate and purchase fixed assets for the newly leased office/warehouse</li> </ul>
Purchase of tools and equipment	To be funded by net proceeds from the Public Offering of approximately HK\$2.0 million	<ul style="list-style-type: none"> <li>● Purchase tools and equipment such as electric scissor lift, aluminium safety working platform and certified measurement equipment to enhance our high level working environment and improve our efficiency for the provision of installation services of Water Circulation Systems</li> </ul>

### From 1 October 2017 to 31 March 2018

Business strategy	Source of funding	Implementation Plan
Strengthening of our industry position and expansion of our business	To be funded by net proceeds from the Public Offering of approximately HK\$2.0 million	<ul style="list-style-type: none"> <li>● Undertake more projects and satisfy potential requirements of performance bond</li> </ul>
Strengthening our technical and project management capabilities	To be funded by net proceeds from the Public Offering of approximately HK\$1.1 million	<ul style="list-style-type: none"> <li>● Recruit one engineer</li> <li>● Provide technical seminars and safety courses for our staff</li> </ul>
Establishing a Macau office/warehouse	To be funded by net proceeds from the Public Offering of approximately HK\$1.1 million	<ul style="list-style-type: none"> <li>● Pay rental expense</li> <li>● Purchase the BIM software from third party provider</li> </ul>

## FUTURE PLANS AND USE OF PROCEEDS

### From 1 April 2018 to 30 September 2018

Business strategy	Source of funding	Implementation Plan
Strengthening of our industry position and expansion of our business	To be funded by net proceeds from the Public Offering of approximately HK\$5.0 million	<ul style="list-style-type: none"> <li>● Undertake more projects and satisfy potential requirements of performance bond</li> </ul>
Repayment of bank borrowings	To be funded by net proceeds from the Public Offering of approximately HK\$1.5 million	<ul style="list-style-type: none"> <li>● Repay outstanding amount under the bank borrowings advanced to our Group</li> </ul>
Strengthening our technical and project management capabilities	To be funded by net proceeds from the Public Offering of approximately HK\$1.3 million	<ul style="list-style-type: none"> <li>● Recruit one assistant project manager</li> <li>● Provide technical seminars and safety courses for our staff</li> </ul>
Establishing a Macau office/warehouse	To be funded by net proceeds from the Public Offering of approximately HK\$0.4 million	<ul style="list-style-type: none"> <li>● Pay rental expense</li> </ul>

### From 1 October 2018 to 31 March 2019

Business strategy	Source of funding	Implementation Plan
Strengthening of our industry position and expansion of our business	To be funded by net proceeds from the Public Offering of approximately HK\$4.5 million	<ul style="list-style-type: none"> <li>● Undertake more projects and satisfy potential requirements of performance bond</li> </ul>
Strengthening our technical and project management capabilities	To be funded by net proceeds from the Public Offering of approximately HK\$1.3 million	<ul style="list-style-type: none"> <li>● Provide technical seminars and safety courses for our staff</li> </ul>

## **FUTURE PLANS AND USE OF PROCEEDS**

### **BASES AND ASSUMPTIONS**

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Public Offering will be completed in accordance with and as described in the section headed “Structure of the Public Offering” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its business plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Public Offering, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement).

Further information about the Underwriters and the underwriting arrangements is contained in the section headed “Underwriting” in this prospectus.

# UNDERWRITING

## UNDERWRITERS

### Joint Lead Managers

Ping An Securities Limited

CLC International Limited

### Underwriters

Ping An Securities Limited

CLC International Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering 325,000,000 Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Underwriting Agreement at the Offer Price.

Subject to the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Underwriting Agreement (including the Joint Lead Managers, for themselves and on behalf of the other Underwriters, reach an agreement with the Company on the Offer Price), the Underwriters have agreed severally to subscribe for or purchase, or procure subscribers or purchasers, for the Offer Shares on the terms and subject to the conditions of the Underwriting Agreement and this prospectus.

### *Grounds for termination*

The Joint Lead Managers (for themselves and on behalf of the Underwriters) in their sole and absolute opinion shall be entitled by notice in writing to our Company to terminate the Underwriting Agreement if at any time before 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers:
  - (i) that any statement contained in this prospectus, the formal notice, any submission(s) or document(s) provided to the Sole Sponsor and the Joint Lead Managers, or any announcements issued by our Company in connection with the Public Offering (“Public Offering Documents”) reasonably considered to be material by the Joint Lead Managers is discovered to be or becomes untrue, incorrect or misleading in any respects considered in the sole opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters) to be material; or
  - (ii) that any matter, had it arisen immediately before the date of this prospectus and not having been disclosed in the Prospectus, would have constituted a material omission in the sole opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters) in the context of the Public Offering; or



## UNDERWRITING

- (iii) any breach by any party to the Underwriting Agreement other than the Underwriters of any provision of the Underwriting Agreement which is considered in the sole opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters) to be material; or
  - (iv) any material adverse change or a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole, the effect of which is, in the sole opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters), so material and adverse as to make it impracticable or inadvisable to proceed with the Public Offering; or
  - (v) the approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vi) the Company withdraws any of the Public Offering Documents or the Public Offering; or
- (b) there shall have developed, occurred, existed or come into effect:
- (i) any event, or series of events, beyond the control of the parties to the Underwriting Agreement (including without limitation, any act of God, acts of government, acts of war, riot, public disorder, civil commotion, fire, flooding, explosion, terrorism, strikes, lockouts, outbreak of diseases or epidemics); or
  - (ii) any material adverse change (whether or not permanent) in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such markets) including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of any such markets; or
  - (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on GEM or trading settlement system or material interruption in securities settlement or clearance services or procedures in Hong Kong due to exceptional financial circumstances or otherwise; or
  - (iv) any new law or regulation or any material change (whether or not forming part of a series of changes) in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority of any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group including but not limited to Samoa, the Cayman Islands, Hong Kong and Macau; or
  - (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by the United States, the European Union (or any member thereof) or any other country or organization on Hong Kong or any other jurisdiction relevant to any member of our Group; or

## UNDERWRITING

- (vi) a material adverse change or development involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) in Samoa, the Cayman Islands, Hong Kong, Macau; or
- (vii) any material adverse change in the business or in the financial or trading position of any member of our Group or our Group taken as a whole; or
- (viii) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented 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 with its creditors 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 member of our Group; or
- (xi) any material fluctuation in the exchange rate of the Hong Kong currency against foreign currency; or
- (xii) any material change in, or any event or series of events resulting or likely to result in any material adverse change or development or local, national or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters (including without limitation any moratorium on, suspension or restriction of commercial banking activities or trading in securities on the Stock Exchange) shall have occurred, happened or come into effect; or
- (xiii) a general moratorium on commercial banking activities in Hong Kong,

which, in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters),

- (1) is or will be, or is likely to be materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of our Group taken as a whole; or
- (2) has or will have, or is likely to have, a material adverse impact on the success, marketability or pricing of the Public Offering as a whole or the level of applications under the Public Offering; or
- (3) for any reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Public Offering as a whole; or
- (4) has or will have the effect of making any part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offering or pursuant to the underwriting thereof.

## UNDERWRITING

then the Joint Lead Managers may (for themselves and on behalf of the Underwriters) give written notice to our Company (with a copy of such notice to the Underwriters) to terminate the Underwriting Agreement with immediate effect.

### **Undertakings under the GEM Listing Rules**

#### *(A) Undertaking by us*

Our Company has irrevocably and unconditionally undertaken to the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that, save pursuant to the Public Offering, the Capitalisation Issue or any options which may be granted under the Share Option Scheme, or the issue of Shares upon exercise of any option granted, it will not, and will procure that its subsidiaries not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements and the prior approval of the Stock Exchange, (a) at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, our Company or any of our major subsidiaries; and (b) at any time within the further six months commencing on the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our major subsidiaries so as to result in any of the Controlling Shareholders (together with any of their associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in The Codes on Takeovers and Mergers and Share Buy-backs (the “**Code**”) as being the level for triggering a mandatory general offer in any of the companies controlled by him, her or it or any of their associates which owns any Shares or our Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of such major subsidiaries.

Our Company has also undertaken to the Sole Sponsor and the Underwriters that save with the prior approval of the Stock Exchange, the Sole Sponsor and the Joint Lead Managers, no subsidiaries will during the First Six-Month Period purchase any Shares or any other securities of our Company.

#### *(B) Undertaking by our Controlling Shareholders*

Each of the Controlling Shareholders, pursuant to the Underwriting Agreement, has jointly and severally, irrevocably and unconditionally undertaken to and covenanted with the Company, the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that without the prior approval of the Stock Exchange, except pursuant to the Public Offering, the Capitalisation Issue and any options which may be granted under the Share Option Scheme or the issue of Shares upon exercise of any option granted, it or he will not:

- (a) at any time during the First Six-Month Period:

## UNDERWRITING

- (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, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of the share or debt capital or other securities of our Company or any interest therein (including any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which the Controlling Shareholders have beneficial ownership (collectively the “Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively, except otherwise allowed under Rule 13.18 of the GEM Listing Rules). Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time in the Second Six-Month Period, it/he will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the GEM Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, if it/he enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of our Company; and

## UNDERWRITING

- (d) at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), (i) the Controlling Shareholders will, if it/he pledges or charges any Shares or other securities of our Company in respect of which it/he is the beneficial owner, immediately inform our Company, the Joint Lead Managers and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) the Controlling Shareholders will, if it/he receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters and, if required, the Stock Exchange of any such indication.

Pursuant to Rule 13.16A of the GEM Listing Rules, each of the Controlling Shareholders has jointly and severally, irrevocably and unconditionally undertaken to our Company, the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that, without the prior approval of the Stock Exchange except pursuant to the Public Offering, the Capitalisation Issue and any options which may be granted under the Share Option Scheme or the issue of Shares upon exercise of any option granted:

- (a) within the First Six-Month Period, it/he will not, and will procure that none of its/his respective associates or the companies controlled by it/him or any of their respective associates will, sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of the securities of our Company or any interests therein owned by it/him or any of their associates or in which it/he or any of their respective associates is, directly or indirectly interested immediately after the completion of the Public Offering (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of Capitalisation Issue or scrip dividend or otherwise), or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by it/him or any of their respective associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of Capitalisation Issue or scrip dividend or otherwise); and
- (b) within the Second Six-Month Period, it/he will not, and will procure that none of its/his respective associates or the companies controlled by it/him or any of their respective associates will sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any securities of our Company or any interests therein referred to in subparagraph (a) above or sell, transfer, dispose of or enter into any agreement to dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by it/him or any of their respective associates which is the beneficial owner (directly or indirectly) of such securities of our Company or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of the Controlling Shareholders (together with its/his respective associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our

## UNDERWRITING

Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time specified in the Code as being the level for triggering a mandatory general offer, in any of the companies controlled by it/him and/or any of their respective associates which owns such securities of our Company or interests as aforesaid.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has also jointly and severally, irrevocably and unconditionally undertaken to and covenanted with the Company, the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that when it/he or any of their respective associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in sub-paragraph (a) above under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in sub-paragraph (a) and (b) above, it/he shall give prior written notice of not less than three business days to the Stock Exchange, our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters disclosing details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules, including the number of Shares in our Company in relation to which it/he is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or chargee (the “Mortgagee”) and further if it/he or any of their respective associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in sub-paragraph (a) above, it/he will immediately notify the Stock Exchange, our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters in writing of such indications and provide details of such disposal or transfer to them as they may require.

### **Commission and expenses**

The Underwriters are expected to receive a commission at the rate of 3.5% of the aggregate Offer Price payable for the Offer Shares, out of which sub-underwriting commission and other fees will be paid. The Sole Sponsor will, in addition, receive a sponsorship fee, financial advisory and documentation fee to the Public Offering. The aggregate fees and commission, together with the Stock Exchange listing application fee, Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Public Offering, are currently estimated to be approximately HK\$27.0 million in aggregate (assuming an Offer Price of HK\$0.23 per Offer Share, being the mid-point of the indicative Offer Price range).

### **Underwriter’s interests in our Company**

Save for their obligations under the Underwriting Agreement, none of the Underwriter has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares in our Company nor any interest in the Public Offering.

### *Indemnity*

Each of our Company, our Controlling Shareholders and our warranting Directors has jointly and severally agreed to indemnify the Sole Sponsor, the Joint Lead Managers and the Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by us of the Underwriting Agreement.

## UNDERWRITING

### *Sole Sponsor's Independence*

Save for advisory and documentation fee paid and to be paid to CLC International as the Sole Sponsor in connection with the Listing and as our Compliance Adviser with effect from the Listing Date, CLC International nor any of its close associates has or may, as a result of the Listing and the Public Offering, have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

No director or employee of CLC International who is involved in providing advice to our Company has or, as a result of the Listing and/or the Public Offering, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of CLC International has any directorship in our Company or any other members of our Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.



## STRUCTURE OF THE PUBLIC OFFERING

### OVERVIEW

This prospectus is published in connection with the Public Offering.

The Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors or other investors in Hong Kong.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$0.26 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offering, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

#### Price payable on application

Applicants under the Public Offering must pay, on application, the maximum indicative Offer Price of HK\$0.26 per Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,626.20 for one board lot of 10,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.20, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to Apply for Offer Shares — 13. Refund of application monies” in this prospectus.

#### Determining the Offer Price

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Monday, 22 May 2017.

#### Reduction in Offer Price range

If, based on the level of interest expressed by prospective institutional, professional or other investors, the Joint Lead Managers (for themselves and on behalf of the Underwriters) consider it appropriate and together with our consent, the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offering.

In such a case, the Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offering, cause there to be published on the website of the Company at [www.harmonyasia.com](http://www.harmonyasia.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) notice of the reduction in the indicative



## STRUCTURE OF THE PUBLIC OFFERING

Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

**Before submitting applications for the Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Public Offering.**

If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice of reduction published as described in this paragraph, the Offer Price, if agreed upon between our Company and the Joint Lead Managers, for themselves and on behalf of the Underwriters, will be within the Offer Price range as stated in this prospectus.

### **Announcement of final Offer Price and basis of allocations**

The final Offer Price, the level of applications in the Public Offering and the basis of allocations of the Offer Shares are expected to be announced on Thursday, 25 May 2017 on the website of the Company at [www.harmonyasia.com](http://www.harmonyasia.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC, will be made available through a variety of channels as described in the section headed “How to Apply for Offer Shares — 11. Publication of results” in this prospectus.

### **CONDITIONS OF THE PUBLIC OFFERING**

Acceptance of all applications for the Offer Shares pursuant to the Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Public Offering (including the Shares which may be made available pursuant to the Capitalisation Issue and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Schemes);
- the Offer Price having been duly agreed on or before the Price Determination Date; and

## STRUCTURE OF THE PUBLIC OFFERING

- the obligations of the Underwriters under the Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Public Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offering will cause to be published by us on the website of the Company at [www.harmonyasia.com](http://www.harmonyasia.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Offer Shares — 13. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**Share certificates for the Offer Shares are expected to be issued on Thursday, 25 May 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 26 May 2017, provided that (i) the Public Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” in this prospectus has not been exercised.**

### THE PUBLIC OFFERING

#### Number of Shares offered

The Company is offering 325,000,000 Shares at the Offer Price for subscription by the public in Hong Kong. The number of Shares offered under the Public Offering will represent 25% of the total issued share capital of the Company immediately after completion of the Public Offering and the Capitalisation Issue. The Public Offering is open to members of the public in Hong Kong as well as to institutional, professional investors or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offering is subject to the conditions set out in the paragraph headed “Conditions of the Public Offering” above.

#### Allocation

Allocation of Offer Shares to investors under the Public Offering will be based on the level of valid applications received under the Public Offering. The basis of allocation may vary, depending on the number of Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Share.

## **STRUCTURE OF THE PUBLIC OFFERING**

The total number of Offer Shares being offered for subscription under the Public Offering will be divided equally into two pools: Pool A and Pool B. Each of Pool A and Pool B will comprise 162,500,000 Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5.0 million or below will fall into Pool A and all valid applications that have been received for Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5.0 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 162,500,000 Offer Shares.

### **Applications**

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has made an application under the Public Offering to provide sufficient information to Joint Lead Managers so as to allow it to identify the relevant applications under the Public Offering.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offering.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 26 May 2017, it is expected that dealings in the Shares on GEM will commence at 9:00 a.m. on Friday, 26 May 2017. The Shares will be traded in board lots of 10,000 Shares. The Stock Code of the shares is 8431.

## HOW TO APPLY FOR OFFER SHARES

### 1. HOW TO APPLY

To apply for Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** Service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for the Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** Service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and Joint Lead Managers 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 and they may not apply by means of the **HK eIPO White Form** Service for the Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;

## HOW TO APPLY FOR OFFER SHARES

- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a core connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Public Offering; and
- a close associate (as defined in the GEM Listing Rules) of any of the above.

### 3. APPLYING FOR OFFER SHARES

#### Which Application Channel to Use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk).

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 16 May 2017 to 12:00 noon on Friday, 19 May 2017 from:

- (i) any of the following offices of the Underwriters:

Ping An Securities Limited  
Unit 02, 2/F  
China Merchants Building  
152–155 Connaught Road  
Central  
Hong Kong

CLC International Limited  
13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

## HOW TO APPLY FOR OFFER SHARES

(ii) any of the following branches of the receiving bank:

### **The Bank of East Asia, Limited**

	<b>Branch name</b>	<b>Address</b>
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Hennessy Road Branch	G/F, Eastern Commercial Centre, 395–399 Hennessy Road, Wanchai
Kowloon	Mongkok Branch	638–640 Nathan Road, Mongkok
	Hoi Yuen Road Branch	Unit 1, G/F, Hewlett Centre, 54 Hoi Yuen Road, Kwun Tong
New Territories	Metro City Plaza Branch	Shop 243, Level 2, Metro City Plaza 1, 1 Wan Hang Road, Tseung Kwan O
	Shatin Plaza Branch	Shop 3–4, Level 1, Shatin Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 16 May 2017 until 12:00 noon on Friday, 19 May 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**THE BANK OF EAST ASIA (NOMINEES) LIMITED — HAO BAI INTERNATIONAL 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:

- 9:00 a.m. to 5:00 p.m., Tuesday, 16 May 2017
- 9:00 a.m. to 5:00 p.m., Wednesday, 17 May 2017
- 9:00 a.m. to 5:00 p.m., Thursday, 18 May 2017
- 9:00 a.m. to 12:00 noon, Friday, 19 May 2017

## HOW TO APPLY FOR OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 19 May 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Lead Managers (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any 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 Cayman Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance, the Memorandum of Association and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (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 Public Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, 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;
- (viii) 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 the Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

## HOW TO APPLY FOR OFFER SHARES

- (ix) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (x) agree that your application will be governed by the laws of Hong Kong;
- (xi) represent, warrant and undertake that (i) you understand that the 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 Offer Shares are outside the United States (as defined in Regulation S under the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- (xiv) authorise the Company to place your name(s) or the name of HKSCC Nominees on its register of members as the holder(s) of any Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or e-Auto Refund payment instruction 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 and have chosen to collect the share certificate(s) and/or refund cheque(s) in person);
- (xv) 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;
- (xvi) understand that the Company, the Directors, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xviii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.



## HOW TO APPLY FOR OFFER SHARES

### 5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

#### General

Individuals who meet the criteria in “— *Who Can Apply*” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

#### Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on 16 May 2017 until 11:30 a.m. on 19 May 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 19 May 2017, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below.

#### No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## HOW TO APPLY FOR OFFER SHARES

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the 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 Centre  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the 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 the Company, the Joint Lead Managers and our Hong Kong Share Registrar.

#### **Giving electronic application instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the 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;

## HOW TO APPLY FOR OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the 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 Offer Shares applied for or any lesser number allocated;
  - (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 the Company, the Directors, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of the Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offering, 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 the Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
  - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
  - agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to

## HOW TO APPLY FOR OFFER SHARES

become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- 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 the Company's announcement of the Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **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 the 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 Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, 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 initially paid

## HOW TO APPLY FOR OFFER SHARES

on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Offer Shares. Instructions for more than 10,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of 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:

- 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Tuesday, 16 May 2017
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Wednesday, 17 May 2017
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Thursday, 18 May 2017
- 8:00 a.m.<sup>(1)</sup> to 12:00 noon, Friday, 19 May 2017

*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 Tuesday, 16 May 2017 until 12:00 noon on Friday, 19 May 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, 19 May 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### 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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of 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 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 OFFER SHARES

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, 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.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form Service** is only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form Service** will be allotted any Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 19 May 2017.

## 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

## HOW TO APPLY FOR OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form Service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form Service** in respect of a minimum of 10,000 Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Pricing and Allocation” under the section headed “Structure of the Public Offering” in this prospectus.

## HOW TO APPLY FOR OFFER SHARES

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “**black**” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 May 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, 19 May 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.

### 11. PUBLICATION OF RESULTS

The Company expects to announce (i) the final Offer Price; (ii) the level of applications in respect of the Public Offering; and (iii) the basis of allotment of the Offer Shares under the Public Offering on Thursday, 25 May 2017 on the Company’s website at [www.harmonyasia.com](http://www.harmonyasia.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://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 Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.harmonyasia.com](http://www.harmonyasia.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Thursday, 25 May 2017;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 25 May 2017 to 12:00 midnight on Thursday, 1 June 2017;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 25 May 2017 to Wednesday, 31 May 2017 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 25 May 2017 to Monday, 29 May 2017 at all the receiving bank designated branches.

If the 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 Offer Shares if the conditions of the Public Offering are satisfied and the Public Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Public Offering” in this prospectus.



## HOW TO APPLY FOR OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form Service**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Hong Kong Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Sponsor, the Joint Lead Managers, the **HK eIPO White Form Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Offer Shares is void:**

The allotment of Offer Shares will be void if 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 Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

## HOW TO APPLY FOR OFFER SHARES

(iv) If:

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- 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 Agreement does not become unconditional or is terminated;
- the Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Offer Shares offered under the Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.26 per Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offering are not fulfilled in accordance with the paragraph headed "Conditions of the Public Offering" under the section headed "Structure of the Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 25 May 2017.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Offer Shares allotted to you under the Public Offering (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** 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 Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

## HOW TO APPLY FOR OFFER SHARES

- 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 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 fee, 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 Thursday, 25 May 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 the Listing Date provided that the Public Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 25 May 2017 or such other date as announced by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 25 May 2017, by ordinary post and at your own risk.

## HOW TO APPLY FOR OFFER SHARES

### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 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 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 25 May 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 Thursday, 25 May 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 25 May 2017 or any other date as determined by HKSCC or HKSCC Nominees.

Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### *(iii) If you apply through HK eIPO White Form service:*

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 25 May 2017, or any other place or date notified by our Company in the newspapers as the place or date of dispatch/ collection of Share certificates/e-Auto Refund payment instructions/refund cheques.
- If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

## HOW TO APPLY FOR OFFER SHARES

- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 25 May 2017 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

*(iv) If you apply via electronic application instructions to HKSCC*

*Allocation of Offer Shares*

For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

**Deposit of Share Certificates into CCASS and Refund of Application Monies**

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 25 May 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 Offering in the manner specified in "Publication of Results" above on Thursday, 25 May 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 25 May 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 Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 25 May 2017. Immediately following the credit of the Offer Shares to your stock account and the credit of

## HOW TO APPLY FOR OFFER SHARES

refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of 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 initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 25 May 2017.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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



16 May 2017

The Directors

Hao Bai International (Cayman) Limited

CLC International Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Hao Bai International (Cayman) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2016 and the eight-month period ended 30 November 2016 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 16 May 2017 in connection with the proposed listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company, which acts as an investment holding company, was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2015 under the Companies Law of the Cayman Islands. Through a group reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 7 March 2016.

At the date of this report, the Company has the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid share capital/ quota capital	Equity interest attributable to the Group as at		Date of this report	Principal activities	
			31 March 2015	30 November 2016			
Best Innovation (Hong Kong) Holdings Company Limited (“Best Innovation HK Holdings”)*	Samoa, 19 January 2016	US\$1,000,000	N/A	100%	100%	100%	Investment holding
Best Innovation Holdings Company Limited (“Best Innovation Holdings”)*	Samoa, 16 December 2015	US\$1,000,000	N/A	100%	100%	100%	Investment holding
Best Innovation Limited (“Best Innovation Hong Kong”)	Hong Kong, 15 September 2009	HK\$100,000	100%	100%	100%	100%	Provision of consultancy service
Best Innovation Limited (“Best Innovation Macau”)	Macau, 17 September 2014	MOP25,000	100%	100%	100%	100%	Installation service of water circulation system
Harmony Asia Holdings Company Limited (“Harmony Asia Holdings”)*	Samoa, 16 December 2015	US\$1,000,000	N/A	100%	100%	100%	Investment holding
Harmony Asia Limited (“Harmony Asia”)	Hong Kong, 3 November 2006	HK\$200,000	100%	100%	100%	100%	Provision of design, procurement and installation service of water circulation system

\* *Directly held by the Company*

Each of the Company and its subsidiaries has adopted 31 March as its financial year end date.

No statutory audited financial statements have been prepared for the Company, Best Innovation HK Holdings, Best Innovation Holdings, Best Innovation Macau and Harmony Asia Holdings since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

The statutory financial statements of Best Innovation Hong Kong and Harmony Asia for the year ended 31 March 2015 were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Lun Man Ho Clement Certified Public Accountant (Practising), Certified Public Accountants registered in Hong Kong. The statutory financial statements of Best Innovation Hong Kong and Harmony Asia for the year ended 31 March 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us.

For the purpose of this report, the directors of the Company has prepared the consolidated financial statements of the Company and its subsidiaries for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of Section A below. No adjustment is considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015, 31 March 2016 and 30 November 2016 and of the Company as at 31 March 2016 and 30 November 2016, and of the financial performance and consolidated cash flows of the Group for the Track Record Period.



The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the eight-month period ended 30 November 2015 together with the notes thereon (the “November 2015 Financial Information”) have been extracted from the Group’s unaudited consolidated financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the November 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the November 2015 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards of Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the November 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the November 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March		Eight-month period ended	
		2015	2016	30 November	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Revenue	5	57,153	90,905	54,911	67,238
Cost of services		<u>(42,726)</u>	<u>(67,264)</u>	<u>(40,776)</u>	<u>(49,499)</u>
Gross profit		14,427	23,641	14,135	17,739
Other income	7	—	15	10	9
Administrative expenses		(5,110)	(8,613)	(5,447)	(7,494)
Other expenses		—	(2,597)	—	(10,005)
Finance costs	8	<u>(372)</u>	<u>(638)</u>	<u>(438)</u>	<u>(626)</u>
Profit (loss) before tax		8,945	11,808	8,260	(377)
Income tax expense	9	<u>(2,219)</u>	<u>(2,199)</u>	<u>(1,256)</u>	<u>(1,238)</u>
Profit (loss) and total comprehensive income (expense) for the year/period	10	<u><u>6,726</u></u>	<u><u>9,609</u></u>	<u><u>7,004</u></u>	<u><u>(1,615)</u></u>
Earnings (loss) per share					
Basic ( <i>HK cents</i> )	13	<u><u>0.92</u></u>	<u><u>1.28</u></u>	<u><u>0.96</u></u>	<u><u>(0.17)</u></u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		As at
	Notes	2015	2016	30 November
		HK\$'000	HK\$'000	2016
				HK\$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	14	2,118	1,979	1,658
Payment for a life insurance policy	16	—	2,656	2,654
		<u>2,118</u>	<u>4,635</u>	<u>4,312</u>
<b>CURRENT ASSETS</b>				
Amounts due from customers for contract works	17	14,072	16,491	36,837
Trade and other debtors, deposits and prepayments	18	12,763	19,147	23,199
Amount due from a director	19	7,057	—	—
Pledged and restricted bank deposits	20	1,605	1,833	832
Bank balances and cash	20	2,384	8,773	1,605
		<u>37,881</u>	<u>46,244</u>	<u>62,473</u>
<b>CURRENT LIABILITIES</b>				
Amounts due to customers for contract works	17	8,698	393	75
Trade and other creditors and accrued expenses	21	5,292	5,354	13,927
Amount due to a related party	19	300	—	—
Amount due to a related company	19	2,230	—	—
Bank borrowings — due within one year	22	5,495	8,563	12,700
Obligations under finance leases	23	522	551	570
Taxation payable		2,417	4,195	981
Bank overdraft — secured	20	2,362	1,512	959
		<u>27,316</u>	<u>20,568</u>	<u>29,212</u>
<b>NET CURRENT ASSETS</b>		<u>10,565</u>	<u>25,676</u>	<u>33,261</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,683</u>	<u>30,311</u>	<u>37,573</u>
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings — due after one year	22	1,042	2,676	3,936
Obligations under finance leases	23	1,377	826	443
Deferred taxation	24	118	—	—
		<u>2,537</u>	<u>3,502</u>	<u>4,379</u>
<b>NET ASSETS</b>		<u>10,146</u>	<u>26,809</u>	<u>33,194</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	25	324	69	78
Reserves		<u>9,822</u>	<u>26,740</u>	<u>33,116</u>
<b>TOTAL EQUITY</b>		<u>10,146</u>	<u>26,809</u>	<u>33,194</u>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March 2016 <i>HK\$'000</i>	As at 30 November 2016 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSET			
Investments in subsidiaries	15	<u>29,344</u>	<u>37,344</u>
CURRENT LIABILITIES			
Other creditors and accrued expenses		—	1,207
Amount due to a subsidiary	19	<u>2,597</u>	<u>11,395</u>
		<u>2,597</u>	<u>12,602</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>26,747</u></u>	<u><u>24,742</u></u>
CAPITAL AND RESERVE			
Share capital	25	69	78
Reserves	26	<u>26,678</u>	<u>24,664</u>
TOTAL EQUITY		<u><u>26,747</u></u>	<u><u>24,742</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	300	—	—	3,096	3,396
Profit and total comprehensive income for the year	—	—	—	6,726	6,726
Issue of shares	24	—	—	—	24
At 31 March 2015	324	—	—	9,822	10,146
Profit and total comprehensive income for the year	—	—	—	9,609	9,609
Issue of shares ( <i>Note i</i> )	69	29,275	(19,344)	—	10,000
Contribution by equity owner of the Company ( <i>Note ii</i> )	—	—	2,230	—	2,230
Arising from Reorganisation	(324)	—	324	—	—
Dividend paid ( <i>Note 12</i> )	—	—	—	(5,176)	(5,176)
At 31 March 2016	69	29,275	(16,790)	14,255	26,809
Issue of shares ( <i>Note iii</i> )	9	7,991	—	—	8,000
Loss and total comprehensive expense for the period	—	—	—	(1,615)	(1,615)
At 30 November 2016	78	37,266	(16,790)	12,640	33,194
(Unaudited)					
At 1 April 2015	324	—	—	9,822	10,146
Profit and total comprehensive income for the period	—	—	—	7,004	7,004
Contribution by equity owner of the Company ( <i>Note ii</i> )	—	—	2,230	—	2,230
At 30 November 2015	324	—	2,230	16,826	19,380

*Notes:*

- (i) On 23 November 2015, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. One share of US\$1 was issued and allotted to the initial subscriber, which was subsequently transferred to Harmony Asia International Holdings Limited, a company wholly owned by Mr. Nam Ho Kwan.

On 5 February 2016, a sale and purchase agreement was entered into between (a) Mr. Nam Ho Kwan; (b) Harmony Asia Holdings; (c) Best Innovation HK Holdings; and (d) the Company, pursuant to which Mr. Nam Ho Kwan transferred to (i) Harmony Asia Holdings the entire issued shares legally and beneficially owned by Mr. Nam Ho Kwan in Harmony Asia; and (ii) Best Innovation HK Holdings the entire issued shares legally and beneficially owned by Mr. Nam Ho Kwan in Best Innovation Hong Kong. The consideration for the acquisition of Harmony Asia was satisfied by the Company allotting and issuing 7,499 new shares, credited as fully paid, to Harmony Asia International Limited (“Harmony Asia International”). The consideration for the acquisition of Best Innovation Hong Kong was HK\$1, which was satisfied in cash.

On 5 February 2016, a subscription agreement was entered into between (a) the Company; (b) Global Equity Value Fund SPC FRO Capital Fund I SP ; and (c) Mr. Nam Ho Kwan, the director of the Company, pursuant to which Global Equity Value Fund SPC FRO Capital Fund I SP subscribed for 1,376 shares of the Company at a cash consideration of HK\$10,000,000 in aggregate.

- (ii) The amount represents amount due to Harmony Project Limited in which Mr. Nam Ho Kwan has significant influence in Harmony Project Limited was dissolved on 17 April 2015, resulting in a credit in other reserve.
- (iii) On 8 April 2016, a subscription agreement was entered into between (a) the Company; (b) Morgan Star Investment Limited; and (c) Mr. Nam Ho Kwan, the director of the Company, pursuant to which Morgan Star Investment Limited subscribed for 1,124 shares of the Company at a cash consideration of HK\$8,000,000 in aggregate.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Eight-month period ended	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)			
<b>OPERATING ACTIVITIES</b>				
Profit (loss) before tax	8,945	11,808	8,260	(377)
Adjustments for:				
Depreciation of property, plant and equipment	568	629	412	461
Interest expenses	372	638	438	626
Amortisation of prepayment for a life insurance policy	—	11	6	8
Gain on disposal of property, plant and equipment	—	(5)	(5)	—
Interest income	—	(10)	(5)	(9)
	<u>8,945</u>	<u>11,808</u>	<u>8,260</u>	<u>(377)</u>
Operating cash flows before movements in working capital	9,885	13,071	9,106	709
Changes in amounts due from/to customers for contract works	400	(10,724)	(6,892)	(20,664)
(Increase) decrease in trade and other debtors, deposits and prepayments	(6,614)	(6,384)	2,057	(4,052)
Decrease (increase) in trade and other creditors and accrued expenses	<u>1,295</u>	<u>62</u>	<u>(1,985)</u>	<u>8,573</u>
Cash generated from (used in) operations	4,966	(3,975)	2,286	(15,434)
Profits tax paid	<u>(556)</u>	<u>(539)</u>	<u>(161)</u>	<u>(4,452)</u>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<u>4,410</u>	<u>(4,514)</u>	<u>2,125</u>	<u>(19,886)</u>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(2,145)	(492)	(317)	(140)
(Placement) release of pledged and restricted bank deposits	(1,246)	(227)	(227)	1,001
Purchase of a life insurance policy	—	(666)	(666)	—
Sales proceeds of property, plant and equipment	—	7	7	—
Advance to a director	(4,055)	(1,035)	(778)	—
Repayment from a director	—	8,092	—	—
Interest received	<u>—</u>	<u>2</u>	<u>1</u>	<u>3</u>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<u>(7,446)</u>	<u>5,681</u>	<u>(1,980)</u>	<u>864</u>

	Year ended 31 March		Eight-month period ended	
	2015	2016	30 November	2016
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>FINANCING ACTIVITIES</b>				
New bank borrowings raised	4,279	3,657	1,772	15,000
Proceeds from issue of shares	24	10,000	—	8,000
Repayment of bank borrowings and finance leases	(286)	(1,471)	(531)	(9,967)
Repayment to a related party	—	(300)	(280)	—
Interest paid	(372)	(638)	(438)	(626)
Dividend paid	—	(5,176)	—	—
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<u>3,645</u>	<u>6,072</u>	<u>523</u>	<u>12,407</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	609	7,239	668	(6,615)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>	<u>(587)</u>	<u>22</u>	<u>22</u>	<u>7,261</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD</b>	20 <u>22</u>	<u>7,261</u>	<u>690</u>	<u>646</u>
Represented by:				
Bank balances and cash	2,384	8,773	1,361	1,605
Bank overdraft	<u>(2,362)</u>	<u>(1,512)</u>	<u>(671)</u>	<u>(959)</u>
	<u>22</u>	<u>7,261</u>	<u>690</u>	<u>646</u>



## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2015 under the Companies Law of the Cayman Islands. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" in the Prospectus. The directors of the Company consider that the Company's immediate and ultimate holding company is Harmony Asia International Limited, a private company incorporated in Samoa.

The companies now comprising the Group underwent a series of reorganisation. Prior to the Reorganisation, the entire equity interests of Best Innovation Hong Kong, Best Innovation Macau and Harmony Asia were directly held by an individual, namely Mr. Nam Ho Kwan (the "Controlling Shareholder").

Pursuant to Reorganisation, the Company incorporated Best Innovation Holdings and Harmony Asia Holdings on 16 December 2015. The Company then incorporated Best Innovation HK Holdings on 19 January 2016.

The Reorganisation was completed on 7 March 2016 by the acquisition of the entire 100% equity interest in Best Innovation Hong Kong, Best Innovation Macau and Harmony Asia by Best Innovation HK Holdings, Best Innovation Holdings and Harmony Asia Holdings respectively from the Controlling Shareholder.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the Group and under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2015 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at that date, taking into account of the respective dates of incorporation, where applicable.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting period beginning on 1 April 2016 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new standards and amendments that are not yet effective. The Group has not early adopted these new standards and amendments.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

**HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company have assessed the impact of HKFRS 15, and consider that the requirements to recognise revenue over the time under HKFRS 15 is similar to the current revenue recognition policy on construction contracts of the Group and therefore, anticipate that the application of HKFRS 15 will have no material impact on the financial statements of the Group in the future.

**HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 November 2016, the Group has non-cancellable operating lease commitments of HK\$2,349,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company do not anticipate that the application of other new HKFRSs will have significant impact on the Group's consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's statements of financial position at cost, less any identified impairment loss.

**Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as expenses on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

**Impairment on tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for service provided in the normal course of business, net of discounts and sales related taxes.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Consultancy and maintenance services income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Construction contracts**

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where 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 works. 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 works. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statements of financial position under trade and other debtors, deposits and prepayments.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as expenses or capitalised in contracts in progress where appropriate, when employees have rendered services entitling them to the contributions.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### ***Financial assets***

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including payment for a life insurance policy, trade and other debtors, amount due from a director, pledged and restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

#### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of debtors could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods and observable changes in national or local economic conditions that correlate with default on debtors.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### ***Financial liabilities***

Financial liabilities (including trade and other creditors, amounts due to a related party, a related company and a subsidiary, bank borrowings and bank overdraft) are subsequently measured at amortised cost, using the effective interest method.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.



***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the 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:

**(a) Construction contracts**

The Group recognises contract revenue and profit of a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

**(b) Trade debtors and retention receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2015 and 2016 and 30 November 2016, the carrying amounts of trade debtors are HK\$6,474,000, HK\$10,630,000 and HK\$13,720,000 respectively, and the carrying amounts of retention receivables are HK\$5,913,000, HK\$8,127,000 and HK\$8,666,000 respectively.

## 5. REVENUE

Revenue of the Group represents the total value of contract work certified and the gross proceeds received and receivable from consultancy services and maintenance services during the year/period and is analysed as follows:

	Year ended 31 March		Eight-month period ended	
	2015	2016	30 November	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)			
Revenue from management contracting services	53,114	89,823	53,928	64,892
Revenue from consultancy services	3,963	1,017	940	2,279
Revenue from maintenance services	<u>76</u>	<u>65</u>	<u>43</u>	<u>67</u>
	<u>57,153</u>	<u>90,905</u>	<u>54,911</u>	<u>67,238</u>

## 6. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, is organised into divisions for the purposes of resource allocation and performance assessment focusing on the types of services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

Management contracting services	—	provision of design, procurement and installation services of the water circulation system.
Consultancy services	—	provision of consultancy services on design of water circulation system
Maintenance services	—	provision of maintenance and repair services for water circulation system and replacement of parts

Segment profit represents the profit earned by each reportable and operating segment without allocation of corporate income, central administrative costs, and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The assets of the Group are allocated to reportable and operating segments except for amount due from a director, pledged and restricted bank deposits, bank balances and cash and payment for a life insurance policy.

The liabilities of the Group are allocated to reportable and operating segments except for amount due to a related party, amount due to a related company, bank borrowings, obligations under finance leases and bank overdraft.

Inter-segment sales are charged at prevailing market rates or at terms determined and agreed by both parties, where no market price was available.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

**For the year ended 31 March 2015**

	<b>Management contracting services HK\$'000</b>	<b>Consultancy services HK\$'000</b>	<b>Maintenance services HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>SEGMENT REVENUE</b>						
External sales	53,114	3,963	76	57,153	—	57,153
Inter-segment sales	—	2,149	—	2,149	(2,149)	—
Segment revenue	<u>53,114</u>	<u>6,112</u>	<u>76</u>	<u>59,302</u>	<u>(2,149)</u>	<u>57,153</u>
Segment profit	<u>11,875</u>	<u>2,512</u>	<u>40</u>	<u>14,427</u>		14,427
Central administrative and other expenses						(5,110)
Finance costs						<u>(372)</u>
Profit before tax						<u>8,945</u>

**For the year ended 31 March 2016**

	<b>Management contracting services HK\$'000</b>	<b>Consultancy services HK\$'000</b>	<b>Maintenance services HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>SEGMENT REVENUE</b>						
External sales	89,823	1,017	65	90,905	—	90,905
Inter-segment sales	—	—	—	—	—	—
Segment revenue	<u>89,823</u>	<u>1,017</u>	<u>65</u>	<u>90,905</u>	<u>—</u>	<u>90,905</u>
Segment profit	<u>22,974</u>	<u>634</u>	<u>33</u>	<u>23,641</u>		23,641
Corporate income						15
Central administrative and other expenses						(11,210)
Finance costs						<u>(638)</u>
Profit before tax						<u>11,808</u>

## For the eight-month period ended 30 November 2015 (Unaudited)

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>						
External sales	53,928	940	43	54,911	—	54,911
Inter-segment sales	—	—	—	—	—	—
Segment revenue	<u>53,928</u>	<u>940</u>	<u>43</u>	<u>54,911</u>	<u>—</u>	<u>54,911</u>
Segment profit	<u>13,517</u>	<u>584</u>	<u>34</u>	<u>14,135</u>		14,135
Corporate income						10
Central administrative and other expenses						(5,447)
Finance costs						<u>(438)</u>
Profit before tax						<u>8,260</u>

## For the eight-month period ended 30 November 2016

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>						
External sales	64,892	2,279	67	67,238	—	67,238
Inter-segment sales	—	—	—	—	—	—
Segment revenue	<u>64,892</u>	<u>2,279</u>	<u>67</u>	<u>67,238</u>	<u>—</u>	<u>67,238</u>
Segment profit	<u>16,559</u>	<u>1,128</u>	<u>52</u>	<u>17,739</u>		17,739
Corporate income						9
Central administrative and other expenses						(17,499)
Finance costs						<u>(626)</u>
Loss before tax						<u>(377)</u>

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

**As at 31 March 2015**

	<b>Management contracting services HK\$'000</b>	<b>Consultancy services HK\$'000</b>	<b>Maintenance services HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>ASSETS</b>				
Segment assets	<u>28,885</u>	<u>68</u>	<u>—</u>	28,953
Amount due from a director				7,057
Pledged and restricted bank deposits				1,605
Bank balances and cash				<u>2,384</u>
Consolidated assets				<u>39,999</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>16,498</u>	<u>27</u>	<u>—</u>	16,525
Amount due to a related party				300
Amount due to a related company				2,230
Bank borrowings				6,537
Obligations under finance leases				1,899
Bank overdraft				<u>2,362</u>
Consolidated liabilities				<u>29,853</u>

**As at 31 March 2016**

	<b>Management contracting services HK\$'000</b>	<b>Consultancy services HK\$'000</b>	<b>Maintenance services HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>ASSETS</b>				
Segment assets	<u>37,609</u>	<u>8</u>	<u>—</u>	37,617
Pledged and restricted bank deposits				1,833
Bank balances and cash				8,773
Payment for a life insurance policy				<u>2,656</u>
Consolidated assets				<u>50,879</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>9,940</u>	<u>2</u>	<u>—</u>	9,942
Bank borrowings				11,239
Obligations under finance leases				1,377
Bank overdraft				<u>1,512</u>
Consolidated liabilities				<u>24,070</u>

As at 30 November 2016

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	<u>61,686</u>	<u>8</u>	<u>—</u>	61,694
Pledged and restricted bank deposits				832
Bank balances and cash				1,605
Payment for a life insurance policy				<u>2,654</u>
Consolidated assets				<u>66,785</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>14,981</u>	<u>2</u>	<u>—</u>	14,983
Bank borrowings				16,636
Obligations under finance leases				1,013
Bank overdraft				<u>959</u>
Consolidated liabilities				<u>33,591</u>

The following is an analysis of the Group's other information by reportable and operating segments:

For the year ended 31 March 2015

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment	2,145	—	—	2,145
Depreciation of property, plant and equipment	<u>568</u>	<u>—</u>	<u>—</u>	<u>568</u>

For the year ended 31 March 2016

	Management contracting services <i>HK\$'000</i>	Consultancy services <i>HK\$'000</i>	Maintenance services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment	492	—	—	492
Depreciation of property, plant and equipment	629	—	—	629
Gain on disposal of property, plant and equipment	<u>5</u>	<u>—</u>	<u>—</u>	<u>5</u>

## For the eight-month period ended 30 November 2015 (Unaudited)

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Consolidated HK\$'000
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment	317	—	—	317
Depreciation of property, plant and equipment	412	—	—	412
Gain on disposal of property, plant and equipment	5	—	—	5

## For the eight-month period ended 30 November 2016

	Management contracting services HK\$'000	Consultancy services HK\$'000	Maintenance services HK\$'000	Consolidated HK\$'000
<b>OTHER INFORMATION</b>				
Additions to property, plant and equipment	140	—	—	140
Depreciation of property, plant and equipment	461	—	—	461

The following table provides an analysis of the Group's revenue based on geographical location where installation works or other services are provided:

	Year ended 31 March		Eight-month period ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Hong Kong	24,913	21,329	13,153	35,703
Macau	32,240	69,576	41,758	31,535
	<u>57,153</u>	<u>90,905</u>	<u>54,911</u>	<u>67,238</u>

The following is an analysis of the carrying amounts of non-current assets, analysed by the geographical area in which the assets are located:

	As at 31 March		As at 30 November
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Hong Kong	2,118	1,964	1,646
Macau	—	15	12
	<u>2,118</u>	<u>1,979</u>	<u>1,658</u>

Note: Non-current assets excluded payment for a life insurance policy.

**Information about major customers**

Revenue from customers in respect of construction contracts from management contracting services segment individually contributed more than 10% of total revenue of the Group during the Track Record Period is as follows:

	Year ended 31 March		Eight-month period ended	
	2015	2016	30 November	2016
	HK\$'000	HK\$'000	2015	2016
			HK\$'000	HK\$'000
			(Unaudited)	
Customer A	26,435	65,393	39,018	38,496
Customer B	12,556	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Customer C	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	9,655
	<u>26,435</u>	<u>65,393</u>	<u>39,018</u>	<u>38,496</u>
	<u>12,556</u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>9,655</u>

<sup>1</sup> Revenue from the customer is less than 10% of the total revenue of the Group for the relevant year/period.

**7. OTHER INCOME**

	Year ended 31 March		Eight-month period ended	
	2015	2016	30 November	2016
	HK\$'000	HK\$'000	2015	2016
			HK\$'000	HK\$'000
			(Unaudited)	
Bank interest income	—	2	1	3
Interest income arising from payment for a life insurance policy	—	8	4	6
Gain on disposal of property, plant and equipment	—	5	5	—
	<u>—</u>	<u>15</u>	<u>10</u>	<u>9</u>

**8. FINANCE COSTS**

	Year ended 31 March		Eight-month period ended	
	2015	2016	30 November	2016
	HK\$'000	HK\$'000	2015	2016
			HK\$'000	HK\$'000
			(Unaudited)	
Interest on bank borrowings	292	553	379	586
Interest on finance leases	80	85	59	40
	<u>372</u>	<u>638</u>	<u>438</u>	<u>626</u>



## 9. INCOME TAX EXPENSE

	Year ended 31 March		Eight-month period ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Hong Kong Profits Tax				
Current tax	1,651	—	—	229
Overprovision in prior years	(20)	—	—	—
	<u>1,631</u>	<u>—</u>	<u>—</u>	<u>229</u>
Macau tax				
Current tax	<u>505</u>	<u>2,317</u>	<u>1,256</u>	<u>1,009</u>
Deferred taxation expense (credit) (note 24)	<u>2,136</u> <u>83</u>	<u>2,317</u> <u>(118)</u>	<u>1,256</u> <u>—</u>	<u>1,009</u> <u>—</u>
	<u><u>2,219</u></u>	<u><u>2,199</u></u>	<u><u>1,256</u></u>	<u><u>1,238</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period.

Pursuant to tax incentive approved under Section 20 of Decree Law No. 9/2014, Macau Complementary Tax is levied at a fixed rate of 12% on the taxable income above Macau Pataca ("MOP") 600,000.

The income tax expense for the Track Record Period can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Eight-month period ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit (loss) before tax	<u>8,945</u>	<u>11,808</u>	<u>8,260</u>	<u>(377)</u>
Tax charge (credit) at Hong Kong Profits Tax rate of 16.5%	1,476	1,948	1,363	(62)
Tax effect of expenses not deductible for tax purpose	—	446	—	1,707
Tax effect of income not taxable for tax purpose	(192)	(195)	(68)	(65)
Tax effect of tax losses not recognised	18	270	—	17
Tax effect of utilisation of tax losses previously not recognised	—	—	—	(105)
Tax effect of different tax rates of subsidiary operating in other jurisdiction	573	94	(40)	(254)
Overprovision in prior years	(20)	—	—	—
Others	<u>364</u>	<u>(364)</u>	<u>1</u>	<u>—</u>
Income tax expense for the year/period	<u><u>2,219</u></u>	<u><u>2,199</u></u>	<u><u>1,256</u></u>	<u><u>1,238</u></u>

Details of the deferred taxation are set out in note 24.

## 10. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 March		Eight-month period ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit (loss) for the year/period has been arrived at after charging (crediting):				
Auditor's remuneration	247	90	—	—
Depreciation of property, plant and equipment	568	629	412	461
Amortisation of payment for a life insurance policy	—	11	6	8
Gain on disposal of property, plant and equipment	—	(5)	(5)	—
Operating lease rentals	922	1,535	948	1,262
Staff costs				
Director's emoluments ( <i>note 11</i> )	1,746	2,362	1,510	2,060
Other staff costs:				
Salaries, discretionary bonus and other benefits	3,156	5,208	2,817	5,232
Retirement benefit scheme contributions	134	260	173	232
Total staff costs	5,036	7,830	4,500	7,524
Less: Amount capitalised in respect of contracts in progress	(3,295)	(4,314)	(2,500)	(3,702)
Contract costs recognised as expenses	1,741	3,516	2,000	3,822
Net exchange loss	41,239	66,849	40,411	48,333
	13	8	8	9

## 11. DIRECTOR'S AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## (a) Directors' and chief executive's emoluments

Mr. Nam Ho Kwan was appointed as executive director of the Company on 23 November 2015. Mr. Ng Wan Lok, Ms. Wong Wing Hung, Mr. Tan Kean Ee and Mr. Chong Kam Fung were appointed as directors of the Company on 8 June 2016. Mr. Wu Kam On Keith, Ms. Chan So Fong and Mr. Kwong Tsz Ching Jack were appointed as directors on 19 January 2017. The emoluments paid or payables to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities by entities comprising the Group) during the Track Record Period are as follows:

Name of directors and chief executive	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2015</b>					
Executive Directors					
Mr. Nam Ho Kwan	—	700	—	18	718
Mr. Ng Wan Lok	—	510	—	18	528
Ms. Wong Wing Hung	—	482	—	18	500
	—	1,692	—	54	1,746

Name of directors and chief executive	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2016</b>					
Executive Directors					
Mr. Nam Ho Kwan	—	1,218	—	18	1,236
Mr. Ng Wan Lok	—	496	—	18	514
Ms. Wong Wing Hung	—	594	—	18	612
	—	2,308	—	54	2,362

Name of directors and chief executive	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Eight-month period ended 30 November 2015 (Unaudited)</b>					
Executive Directors					
Mr. Nam Ho Kwan	—	812	—	12	824
Mr. Ng Wan Lok	—	316	—	12	328
Ms. Wong Wing Hung	—	346	—	12	358
	—	1,474	—	36	1,510

Name of directors and chief executive	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>Eight-month period ended 30 November 2016</b>					
Executive Directors					
Mr. Nam Ho Kwan	—	1,212	—	12	1,224
Mr. Ng Wan Lok	—	316	100	12	428
Ms. Wong Wing Hung	—	396	—	12	408
	—	1,924	100	36	2,060

*Note:* No emoluments were paid to any of the other directors, namely Mr. Tan Kean Ee, Mr. Chong Kam Fung, Mr. Wu Kam On Keith, Mr. Chan So Fong and Mr. Kwong Tsz Ching Jack during the Track Record Period.

Mr. Nam Ho Kwan is also the Chief Executive Officer of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive Officer during the Track Record Period.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics. None of the directors nor the chief executive waived any emoluments during the Track Record Period.

**(b) Employees' emoluments**

The five highest paid individuals in the Group during the Track Record Period included three directors for the years ended 31 March 2015 and 2016 and eight-month period ended 30 November 2015 and 2016. Details of their emoluments for the Track Record Period as directors are set out in note 11(a) above.

The aggregate emoluments of the remaining highest paid individuals for the Track Record Period are as follows:

	Year ended 31 March		Eight-month period ended 30 November	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries and other benefits	774	966	628	996
Discretionary bonus	108	170	100	—
Retirement benefit scheme contributions	34	36	24	24
	<u>916</u>	<u>1,172</u>	<u>752</u>	<u>1,020</u>

Their emoluments were within the following band:

	Year ended 31 March		Eight-month period ended 30 November	
	2015	2016	2015	2016
			(Unaudited)	
Not exceeding HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**12. DIVIDEND**

An interim dividend of HK\$5,176,000 was recognised as distribution by Harmony Asia to its then sole shareholder, namely Mr. Nam Ho Kwan, during the year ended 31 March 2016.

Dividend per share is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

No dividend was declared for the period from 1 April 2016 to 30 November 2016 and the year ended 31 March 2015.

**13. EARNINGS (LOSS) PER SHARE**

The calculation of basic earnings (loss) per share during the Track Record Period are based on the assumption that the Reorganisation and the capitalisation issue as explained in the section headed "Share Capital" in the Prospectus, had been in effective on 1 April 2014.

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	Year ended 31 March		Eight-month period ended	
	2015	2016	30 November 2015 (Unaudited)	2016
<b>Earnings (Loss)</b>				
Earnings (loss) for the purpose of basic earnings (loss) per share (profit (loss) for the year/period) (in HK\$'000)	<u>6,726</u>	<u>9,609</u>	<u>7,004</u>	<u>(1,615)</u>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>731,250,000</u>	<u>751,411,000</u>	<u>731,250,000</u>	<u>971,856,000</u>

No diluted earnings (loss) per share is presented as there was no potential dilutive ordinary share in issue during the Track Record Period.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	6	—	135	612	753
Additions	—	—	191	1,954	2,145
At 31 March 2015	6	—	326	2,566	2,898
Additions	—	26	266	200	492
Disposals	—	—	—	(18)	(18)
At 31 March 2016	6	26	592	2,748	3,372
Additions	—	25	69	46	140
At 30 November 2016	6	51	661	2,794	3,512
DEPRECIATION					
At 1 April 2014	6	—	63	143	212
Provided for the year	—	—	55	513	568
At 31 March 2015	6	—	118	656	780
Provided for the year	—	4	80	545	629
Eliminated on disposals	—	—	—	(16)	(16)
At 31 March 2016	6	4	198	1,185	1,393
Provided for the period	—	7	82	372	461
At 30 November 2016	6	11	280	1,557	1,854
CARRYING VALUES					
At 31 March 2015	—	—	208	1,910	2,118
At 31 March 2016	—	22	394	1,563	1,979
At 30 November 2016	—	40	381	1,237	1,658

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the term of the lease or five years
Furniture and fixture	20%
Office equipment	20%
Motor vehicles	20%

## 15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	At 31 March 2016 <i>HK\$'000</i>	At 30 November 2016 <i>HK\$'000</i>
Unlisted investments	29,344	37,344

**16. PAYMENT FOR A LIFE INSURANCE POLICY**

During the year ended 31 March 2016, Harmony Asia, a wholly-owned subsidiary of the Company, entered into a life insurance policy with an insurance company on Mr. Nam Ho Kwan. Under the policy, the beneficiary and policy holder is Harmony Asia. Harmony Asia is required to pay an upfront payment for the policy. Harmony Asia may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged. If such withdrawal is made at any time during the first to the fifteenth policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

At the inception date, the upfront payment paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expenses and insurance charges will be incurred over the insurance period according to the terms set out in the policy. The policy premium, expense and insurance charges are amortised to profit or loss over the expected life of policy and the deposit placed is carried at amortised cost using the effective interest method. As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to the fifteenth policy year for the insurance policy and the expected life of the policies remained unchanged from the initial recognition. The balance of payments for life insurance policy is denominated in US\$, being a currency other than the functional currency of Harmony Asia.

Particulars of the policy are as follows:

Insured sum	Upfront payment	Guaranteed interest rates	
		First year	Fourth year and onwards
US\$1,000,000 (equivalent to HK\$7,800,000)	US\$340,919 (equivalent to HK\$2,659,000)	3.80% per annum	2.25% per annum

**17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS**

	As at 31 March		As at
	2015	2016	30 November 2016
	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of the reporting period:			
Contract costs incurred	77,417	138,665	181,898
Recognised profits less recognised losses	26,430	53,901	75,560
	103,847	192,566	257,458
Less: Progress billings	(98,473)	(176,468)	(220,696)
	<u>5,374</u>	<u>16,098</u>	<u>36,762</u>
	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purposes as:			
Amounts due from customers for contract works	14,072	16,491	36,837
Amounts due to customers for contract works	(8,698)	(393)	(75)
	<u>5,374</u>	<u>16,098</u>	<u>36,762</u>

As at 31 March 2015 and 2016 and 30 November 2016, retention held by customers for contract works amounted to HK\$5,913,000 and HK\$8,127,000 and HK\$8,666,000 respectively, which are set out in note 18.



Included in the balance as at 30 November 2016 is an amount of HK\$7,229,000 due from a customer for two construction projects, which pursuant to a letter dated 22 June 2016 and 17 November 2016 respectively, these construction projects have been early terminated due to disagreement on the progress of work rendered by the Group. The customer also alleged that the Group's capacity in executing the construction project was under its concern. The Group served notice to accept the repudiation on 23 June 2016 and 24 November 2016 respectively. Based on the advice of the legal adviser of the Group, the Group is entitled for the outstanding sum of workdone by the Group on or before 22 June 2016 and 17 November 2016 respectively.

During the Track Record Period, the Group recognised a total revenue amounting to HK\$10,776,000 and incurred a total cost of services amounting to HK\$10,776,000 in connection with these projects. The Group has not incurred further cost subsequent to the Track Record Period, The Group recognised revenue to the extent of contract costs incurred for the construction projects. The management of the Group is in the opinion that the amount of the outstanding sum of work performed could be recovered based on the opinion of the legal adviser and the relevant contractual terms of the construction projects.

#### 18. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
Trade debtors	6,474	10,630	13,720
Retention receivables ( <i>Note a</i> )	5,913	8,127	8,666
Other debtors, deposits and prepayments ( <i>Note b</i> )	376	390	813
	<u>12,763</u>	<u>19,147</u>	<u>23,199</u>

*Notes:*

- (a) Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from one to two years from the date of the completion of the respective projects.
- (b) Included in other debtors, deposits and prepayments at 30 November 2016 is pledged deposits of HK\$352,000 to an insurance company as security for issuance of performance bonds in respect of construction contracts with prevailing market rates ranging from 0.05% to 0.1% per annum.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
On demand or within one year	1,156	1,246	2,672
After one year	4,757	6,881	5,994
	<u>5,913</u>	<u>8,127</u>	<u>8,666</u>

Trade debtors mainly arise from management contracting services. The Group's credit terms for its management contracting services are negotiated at terms determined and agreed with its trade customers. The credit periods are ranging from 30 to 60 days.

The aged analysis of trade debtors, presented based on the invoice date, at the end of the reporting period is as follows:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
Within 30 days	4,441	9,614	9,068
More than 30 days and within 60 days	1,815	766	543
More than 60 days	218	250	4,109
	<u>6,474</u>	<u>10,630</u>	<u>13,720</u>

The Group maintains a defined credit policy to assess the credit quality of the trade customers. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

The aged analysis presented based on the invoice date of the trade debtors which are past due but not impaired is as follows:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
More than 30 days and within 60 days	1,815	766	543
More than 60 days	218	250	4,109
	<u>2,033</u>	<u>1,016</u>	<u>4,652</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The directors of the Company consider that there has not been a significant change in credit quality of the trade debtors and there is no recent history of default, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

All of the trade debtors that are neither past due nor impaired have no default payment history.

#### 19. AMOUNTS DUE FROM/TO A DIRECTOR/A RELATED PARTY/A RELATED COMPANY/A SUBSIDIARY

##### The Group

	As at	As at	Maximum	As at	Maximum	As at	Maximum
	1 April	31 March	outstanding	31 March	outstanding	30 November	outstanding
	2014	2015	balance	2016	balance	2016	balance
	HK\$'000	HK\$'000	during	HK\$'000	during	HK\$'000	during
			the year		the year		the period
			HK\$'000		HK\$'000		HK\$'000
Amount due from a director (Note a)	<u>3,002</u>	<u>7,057</u>	<u>7,057</u>	<u>—</u>	<u>8,092</u>	<u>—</u>	<u>—</u>
Amount due to a related party (Note b)		<u>(300)</u>		<u>—</u>		<u>—</u>	
Amount due to a related company (Note c)		<u>(2,230)</u>		<u>—</u>		<u>—</u>	

*Notes:*

- (a) The amount represents amount due from Mr. Nam Ho Kwan at 1 April 2014 and 31 March 2015. The amount is non-trade, unsecured, interest free and repayable on demand. The amount has been settled in full during the year ended 31 March 2016.
- (b) The amount represents amount due to a close family member of Mr. Nam Ho Kwan at 31 March 2015. The amount is non-trade, unsecured, interest free and repayable on demand. The amount has been settled in full during the year ended 31 March 2016.
- (c) The amount represents amount due to Harmony Project Limited, a company in which Mr. Nam Ho Kwan has significant influence. The amount is non-trade, unsecured, interest free and repayable on demand. The related company was dissolved during the year ended 31 March 2016 and the amount was credited to other reserve.

**The Company**

The balance represents the amount due to Harmony Asia of HK\$2,597,000 and HK\$11,395,000 as at 31 March 2016 and 30 November 2016 respectively, which is non-trade, interest free and repayable on demand.

**20. PLEDGED AND RESTRICTED BANK DEPOSITS, BANK BALANCES AND CASH AND BANK OVERDRAFT**

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
Pledged bank deposits	1,000	1,001	—
Restricted bank deposits	605	832	832
Bank balances and cash	2,384	8,773	1,605
Bank overdraft	(2,362)	(1,512)	(959)
	<u>1,627</u>	<u>9,094</u>	<u>1,478</u>
Less: Pledged and restricted bank deposits	<u>(1,605)</u>	<u>(1,833)</u>	<u>(832)</u>
Cash and cash equivalents	<u>22</u>	<u>7,261</u>	<u>646</u>

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group with maturity within one year from the end of each reporting period and are therefore classified as current assets. The pledged bank deposits carry fixed interest rates 0.1% per annum at 31 March 2015 and 2016.

The restricted bank deposits represent cash held at banks as security for due performance under several management contracting services with prevailing market rates ranging from 0.05% to 0.1% per annum at 31 March 2015 and 2016 and 30 November 2016.

The bank overdraft carries interest rates 1.5% over the prime rate per annum at 31 March 2015 and 2016 and 30 November 2016.

The Group's bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
MOP	126	2	8
US\$	—	1	9
	<u>—</u>	<u>1</u>	<u>9</u>

## 21. TRADE AND OTHER CREDITORS AND ACCRUED EXPENSES

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Trade creditors	4,128	3,585	10,915
Other creditors and accrued expenses	<u>1,164</u>	<u>1,769</u>	<u>3,012</u>
	<u>5,292</u>	<u>5,354</u>	<u>13,927</u>

The average credit period on trade creditors is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	3,332	3,002	2,486
More than 30 days and within 60 days	394	177	1,669
More than 60 days	<u>402</u>	<u>406</u>	<u>6,760</u>
	<u>4,128</u>	<u>3,585</u>	<u>10,915</u>

## 22. BANK BORROWINGS

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Bank borrowings, secured	<u>6,537</u>	<u>11,239</u>	<u>16,636</u>

The bank borrowings are repayable as follows:

	As at 31 March		As at 30 November
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
On demand or within one year	5,495	8,563	12,700
More than one year, but not exceeding two years	304	265	1,943
More than two years, but not exceeding five years	393	418	—
More than five years	<u>345</u>	<u>1,993</u>	<u>1,993</u>
	6,537	11,239	16,636
Less: Amount due within one year shown under current liabilities	<u>(5,495)</u>	<u>(8,563)</u>	<u>(12,700)</u>
Amount due after one year shown under non-current liabilities	<u>1,042</u>	<u>2,676</u>	<u>3,936</u>

Except for bank borrowings of nil, HK\$1,993,000 and HK\$1,993,000 which are denominated in US\$ as at 31 March 2015 and 2016 and 30 November 2016 respectively, all the bank borrowings are denominated in HK\$. The bank borrowings carry floating interest rates ranging from 3% to 5.75% per annum at 31 March 2015, 2.43% to 5.75% at 31 March 2016 and 2.53% to 5.75% at 30 November 2016 based on prime rate or London Interbank offered rate plus a spread.

As at 31 March 2015 and 2016, bank borrowings amounting to HK\$5,925,000 and HK\$10,851,000 are secured by legal charges over two properties, one of which was held by a close family member of Mr. Nam Ho Kwan and another was held by Mr. Ng Wan Lok, a director of the Company, payment for a life insurance policy as disclosed in note 16 and pledged and restricted bank deposits and personally guaranteed by Mr. Nam Ho Kwan for an unlimited amount and Mr. Ng Wan Lok for HK\$3,000,000. As at 30 November 2016, bank borrowing amounting to HK\$1,993,000 is secured by payment for a life insurance policy as disclosed in note 16 and the other aforementioned securities and personal guarantee were cancelled.

Bank borrowing amounting to HK\$612,000, HK\$388,000 and HK\$236,000 as at 31 March 2015 and 2016 and 30 November 2016, respectively are secured by pledged and restricted bank deposits.

As at 30 November 2016, bank borrowing amounting to HK\$10,000,000 is secured by personal bank deposit of HK\$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK\$5,000,000 each.

As at 30 November 2016, bank borrowing amounting to HK\$4,407,000 is guaranteed by Mr. Nam Ho Kwan.

In the opinion of the directors of the Company, the pledged bank deposits and the personal guarantees of Mr. Nam Ho Kwan and Mr. Ng Wan Lok as of 30 November 2016 stated above will be released upon listing of the shares of the Company on the Stock Exchange.

### 23. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
Analysed for reporting purposes as:			
Current liabilities	522	551	570
Non-current liabilities	<u>1,377</u>	<u>826</u>	<u>443</u>
	<u>1,899</u>	<u>1,377</u>	<u>1,013</u>

The Group has leased certain of its motor vehicles under finance leases. The lease term ranges from four to five years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.75% to 6.54% per annum at 31 March 2015 and 2016 and 30 November 2016. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at	As at 31 March		As at
	2015	2016	30 November	2015	2016	30 November
	HK\$'000	HK\$'000	2016	HK\$'000	HK\$'000	2016
			HK\$'000			HK\$'000
Obligations under finance leases payable:						
Within one year	607	607	607	522	551	570
Within a period of more than one year but not more than two years	607	576	452	551	549	443
Within a period of more than two years but not more than five years	<u>856</u>	<u>280</u>	<u>—</u>	<u>826</u>	<u>277</u>	<u>—</u>
	2,070	1,463	1,059	1,899	1,377	1,103
Less: future finance charges	<u>(171)</u>	<u>(86)</u>	<u>(46)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>1,899</u>	<u>1,377</u>	<u>1,013</u>	1,899	1,377	1,013

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at	As at 31 March		As at
	2015	2016	30 November	2015	2016	30 November
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less: Amount due for settlement with twelve months (shown under current liabilities)				(522)	(551)	(570)
Amount due for settlement after twelve months				<u>1,377</u>	<u>826</u>	<u>443</u>

#### 24. DEFERRED TAXATION

The Group's deferred tax liability/asset recognised at 31 March 2015 and 2016 and 30 November 2016 relating to accelerated tax depreciation of property, plant and equipment and tax losses and movement thereon during the Track Record Period is as follows:

	Accelerated tax		Total
	Tax loss	depreciation	
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014	—	35	35
Charge to profit or loss	—	83	83
At 31 March 2015	—	118	118
(Credit) charge to profit or loss	(182)	64	(118)
At 31 March 2016	(182)	182	—
Charge (credit) to profit or loss	43	(43)	—
At 30 November 2016	(139)	139	—

The Group has unused estimated tax losses of HK\$216,000 at 31 March 2015, HK\$2,739,000 at 31 March 2016 and HK\$1,945,000 at 30 November 2016 available to offset against future profits. Deferred taxation assets have been recognised in respect of HK\$1,103,000 and HK\$842,000 of such losses at 31 March 2016 and 30 November 2016 respectively. No deferred taxation asset has been recognised in respect of the remaining HK\$216,000 at 31 March 2015, HK\$1,636,000 at 31 March 2016 and HK\$1,103,000 at 30 November 2016 due to the unpredictability of future profit streams.

#### 25. SHARE CAPITAL

##### The Group

For the purpose of this report, the issued capital of the Group as at 1 April 2014 represents the combined share capital of Best Innovation Hong Kong of 100,000 shares of HK\$1 each and Harmony Asia of 200,000 shares of HK\$1 each. The issued capital of the Group at 31 March 2015 represents the combined share capital of Best Innovation Hong Kong of 100,000 shares of HK\$100,000, Best Innovation Macau of MOP25,000 and Harmony Asia of 200,000 shares of HK\$200,000. The issued capital of the Group as at 31 March 2016 represents the share capital of the Company of 8,876 shares of US\$1 each. The issued capital of the Group as at 30 November 2016 represents the share capital of the Company of 10,000 shares of US\$1 each.

**The Company**

On 23 November 2015, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. One share of US\$1 was issued and allotted to the initial subscriber, which was subsequently transferred to Harmony Asia International Holdings Limited, a company wholly owned by Mr. Nam Ho Kwan.

On 5 February 2016, 7,499 shares and 1,376 shares of US\$1 each were issued and allotted to Harmony Asia International and Global Equity Value Fund SPC FRO Capital Fund I SP respectively. The new shares rank pari passu with the then existing shares in all respects.

On 8 April 2016, 1,124 shares of US\$1 each were issued and allotted to Morgan Star Investment Limited. The new shares rank pari passu with the then existing shares in all respects.

**26. RESERVES****The Company**

	<b>Share premium HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Sub-total HK\$'000</b>
At 23 November 2015 (date of incorporation)	—	—	—
Issue of shares	29,275	—	29,275
Loss and total comprehensive expense for the period	—	(2,597)	(2,597)
	<u>29,275</u>	<u>(2,597)</u>	<u>26,678</u>
At 31 March 2016	29,275	(2,597)	26,678
Issue of shares	7,991	—	7,991
Loss and total comprehensive expense for the period	—	(10,005)	(10,005)
	<u>37,266</u>	<u>(12,602)</u>	<u>24,664</u>
At 30 November 2016	<u>37,266</u>	<u>(12,602)</u>	<u>24,664</u>

**27. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 22, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

## 28. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

## The Group

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents)	23,799	32,198	28,085
<b>Financial liabilities</b>			
Amortised cost	15,557	16,336	29,719

## The Company

As at 31 March 2016 and 30 November 2016, the Company has financial liabilities, carried at amortised cost of HK\$2,597,000 and HK\$11,395,000 respectively, which is non-trade, interest free and repayable on demand.

## (b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include payment for a life insurance policy, trade debtors and retention receivables, other debtors and deposits, amount due from a director, pledged and restricted bank deposits, bank balances and cash, trade and other creditors, amounts due to a related party, a related company and a subsidiary, bank borrowings and bank overdraft. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

*Market risks*(i) *Currency risk*

Several subsidiaries of the Company have bank balances and cash and bank overdrafts denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liability as at the reporting dates are as follows:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
			HK\$'000
<b>Assets</b>			
MOP	148	2	8
US\$	—	2,502	2,514
<b>Liability</b>			
US\$	—	1,993	1,993

As most of the Group's foreign currency denominated monetary assets and liability are denominated in US\$ and MOP and Hong Kong dollars is pegged to US\$ while MOP is pegged to Hong Kong dollars, the Group's foreign currency risk exposure is not considered to be significant.



(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to pledged and restricted bank deposits, bank balances and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed rate pledged and restricted bank deposits.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly attributable to fluctuation of the best lending rate and the bank's cost of funds in Hong Kong, Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease in interest rates for bank borrowings, is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately HK\$27,000 and HK\$47,000 for the year ended 31 March 2015 and 31 March 2016 respectively.

If interest rates on bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the period would increase/decrease by approximately HK\$69,000 for the eight-month period ended 30 November 2016.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of prevailing market interest rate on bank balances. The Group considered interest rate fluctuation on these bank deposits and balances is insignificant.

No sensitivity analysis has been prepared for the exposure to interest rate risk on the Group's bank balances as the directors of the Company consider that the exposure is minimal.

*Credit risk*

As at 31 March 2015, 31 March 2016 and 30 November 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position; and
- the amount of contingent liabilities in relation to performance bond issued by the Group as disclosed in note 31.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk in a few customers. At the end of the reporting period, the outstanding balances from the five largest customers, which have been included in trade debtors and retention receivables, amounted to HK\$10,939,000, HK\$16,394,000 and HK\$20,109,000 in aggregate, of which represents approximately 88%, 87% and 90% of the total trade debtors and retention receivables as at 31 March 2015, 31 March 2016 and 30 November 2016 respectively. In view of their credit standings, good payment record in the past and long term relationships with the Group, the directors of the Company consider that the Group's credit risk is not material.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the above, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

#### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or within 90 days HK\$'000	91 days– 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
At 31 March 2015						
Trade creditors	—	4,107	—	21	4,128	4,128
Bank overdraft	6.71	2,362	—	—	2,362	2,362
Amount due to a related party	—	300	—	—	300	300
Amount due to a relate company	—	2,230	—	—	2,230	2,230
Bank borrowings	5.21	3,949	1,682	1,121	6,752	6,537
		12,948	1,682	1,142	15,772	15,557
Obligations under finance leases	6.24	152	455	1,463	2,070	1,899
		13,100	2,137	2,605	17,842	17,456
At 31 March 2016						
Trade creditors	—	3,214	—	371	3,585	3,585
Bank overdraft	6.75	1,512	—	—	1,512	1,512
Bank borrowings	5.00	6,179	2,401	2,974	11,554	11,239
		10,905	2,401	3,345	16,651	16,336
Obligations under finance leases	6.27	152	455	856	1,463	1,377
		11,057	2,856	4,201	18,114	17,713

	Weighted average interest rate %	On demand or within 90 days HK\$'000	91 days– 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
At 30 November 2016						
Trade creditors and other payables	—	12,124	—	—	12,124	12,124
Bank overdraft	6.5	959	—	—	959	959
Bank borrowings	5.33	290	12,679	4,225	17,194	16,636
		<u>13,373</u>	<u>12,679</u>	<u>4,225</u>	<u>30,277</u>	<u>29,719</u>
Obligations under finance leases	6.29	51	556	453	1,060	1,013
		<u>13,424</u>	<u>13,235</u>	<u>4,678</u>	<u>31,337</u>	<u>30,732</u>

The amounts included above for variable interest rate instruments for non- derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) **Fair value measurements of financial instruments**

The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

**29. RETIREMENT BENEFIT SCHEMES**

The Group operates defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are separately held in funds under the control of trustees. The cost charged to the consolidated statements of profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of the schemes.

Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. During the Track Record Period, there were no material forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

With effect from 28 July 2009, the Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Under the MPF Scheme, there will not be any forfeited contribution available to reduce the contribution payable by the Group.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at the rates specified in the rules of the scheme.

The Group operates a defined contribution retirement scheme for eligible employee in Macau. The assets of the scheme are held separately from those of the Group in funds under the control of an independent trustee. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

**30. PLEDGE OF ASSETS**

The following assets were pledged to secure certain banking facilities and performance bonds issued by an insurance company granted to the Group at the end of the reporting period:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
Pledged and restricted bank deposits	1,605	1,833	832
Pledged deposits to insurance company	—	—	352
Payment for a life insurance policy	—	2,656	2,654
	<u>1,605</u>	<u>4,489</u>	<u>3,838</u>

**31. CONTINGENT LIABILITIES**

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
Indemnities issued to banks and an insurance company for performance bonds in respect of construction contracts	605	832	1,823
	<u>605</u>	<u>832</u>	<u>1,823</u>

**32. OPERATING LEASE COMMITMENTS**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		As at
	2015	2016	30 November
	HK\$'000	HK\$'000	2016
Within one year	698	417	1,480
In the second to fifth year inclusive	145	—	869
	<u>843</u>	<u>417</u>	<u>2,349</u>

Leases in respect of premises are negotiated, and monthly rentals are fixed, for terms ranging from one to two years at the end of each reporting period.

**33. RELATED PARTY TRANSACTIONS AND BALANCES**

(a) The Group entered into the following transactions with its related parties during the Track Record Period:

As at 31 March 2015 and 31 March 2016, bank borrowings amounting to HK\$5,925,000 and HK\$10,851,000 are secured by legal charges over two properties, one of which was held by a close family member of Mr. Nam Ho Kwan and another was held by Mr. Ng Wan Lok, a director of the Company; and personal guarantees by Mr. Nam Ho Kwan for unlimited amount and Mr. Ng Wan Lok for HK\$3,000,000.

As at 30 November 2016, bank borrowing amounting to HK\$10,000,000 is secured by personal bank deposit of HK\$2,500,000 of Mr. Nam Ho Kwan and guaranteed by Mr. Nam Ho Kwan and Mr. Ng Wan Lok for HK\$5,000,000 each. As at 30 November 2016, another bank borrowing amounting to HK\$4,406,000 is guaranteed by Mr. Nam Ho Kwan.

(b) The remuneration of key management during the Track Record Period was as follows:

	Year ended 31 March		Eight-month period ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Short-term employee benefits	700	1,218	812	1,628
Post-employment benefits	<u>18</u>	<u>18</u>	<u>12</u>	<u>24</u>
	<u>718</u>	<u>1,236</u>	<u>824</u>	<u>1,652</u>

(c) **Balances**

Details of the balances with a director/a subsidiary/a related party/a related company at the end of the reporting period are set out in note 19.

#### 34. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2016, the Group has entered into a life insurance policy with insurance company on Mr. Nam Ho Kwan of HK\$2,659,000, HK\$1,993,000 of which was settled by bank borrowings.

## B. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate-remuneration of the Company's directors for the year ended 31 March 2017, excluding discretionary bonus, is estimated to be approximately HK\$3,040,000.

## C. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2017, the authorised share capital of the Company changed from US\$50,000 to HK\$20,000,000 by the creation of 2,000,000,000 shares of par value HK\$0.01 each and cancellation of 50,000 shares of US\$1.00 each after repurchase of the existing 10,000 existing shares of the Company of US\$1.00 each. The Company then allotted and issued 7,500 nil paid shares, 1,376 nil paid shares and 1,124 nil paid shares to Harmony Asia International, Global Equity Value Fund SPC FRO Capital Fund I SP and Morgan Star Investment Limited respectively, for an aggregate price of US\$10,000.

On 12 May 2017, resolutions in writing were passed by the shareholders of the Company to approve the matters set out in the paragraph headed "Written shareholders' resolutions of the Company passed on 12 May 2017" in Appendix V of the Prospectus, pursuant to which, among other things, conditional on the listing division of the Stock Exchange granting listing of, and permission to deal in, the shares in issue and shares to be issued as mentioned in the Prospectus and on the obligations of the underwriting agreement in relation to the underwriting of the public offering of the shares of the Company (the "Underwriting Agreement"), becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of the Prospectus:

- (1) the rules of the share option scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in Appendix V to the Prospectus, were approved and adopted and the directors of the Company were authorised, subject to the terms and conditions of the share option scheme, to grant options to subscribe for shares thereunder and

to allot, use and deal with the 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;

- (2) conditional further on the share premium account of the Company being credited as a result of the public offering of the shares of the Company, the directors of the Company were authorised to capitalise an amount of HK\$9,749,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 974,990,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 12 May 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company (the “Capitalisation Issue”), each ranking pari passu in all respects with the then existing issued shares, and the directors of the Company were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved.

#### **D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 30 November 2016.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, as set out in Appendix I to this prospectus, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report as set out in Appendix I to this prospectus.

**A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Public Offering on our net tangible assets of the Group as at 30 November 2016 as if it had taken place on 30 November 2016. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets of the Group as at 30 November 2016 or any future date following the Public Offering. It is prepared based on our net assets of the Group as at 30 November 2016 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group does not form part of the Accountants' Report in Appendix I to this prospectus.

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as at 30 November 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Public Offering <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.20 per Offer Share	33,194	50,602	83,796	0.06
Based on the Offer Price of HK\$0.26 per Offer Share	33,194	69,419	102,613	0.08

Notes:

- The consolidated net tangible assets of the Group attributable to owners of our Company as at 30 November 2016 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company of HK\$33,194,000 as at 30 November 2016.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the Public Offering are based on 325,000,000 Shares to be issued at a minimum Offer Price of HK\$0.20 or a maximum Offer Price of HK\$0.26 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 30 November 2016 and does not take into account of any Shares which may be issued or repurchased pursuant to the Company's general mandate.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived on the basis of 1,300,000,000 Shares in issue, taking into account the impact of the Capitalisation Issue and the Public Offering. It does not take into account of any Shares which may be issued or repurchased pursuant to the Company's general mandate.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 November 2016 to reflect any operating results or other transactions of the Group entered into subsequent to that date.



**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, for the purpose of incorporation in this prospectus.

**Deloitte.**

**德勤**

**Independent Reporting Accountants' Assurance Report on the Compilation of Pro Forma  
Financial Information**

**To the Directors of Hao Bai International (Cayman) Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hao Bai International (Cayman) 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 as at 30 November 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 16 May 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Public Offering (as defined in the Prospectus) on the Group's financial position as at 30 November 2016 as if the Public Offering had taken place at 30 November 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 March 2016 and the eight-month period ended 30 November 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **REPORTING ACCOUNTANTS’ RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 November 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, 16 May 2017

*The estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 March 2017 is set out in the section headed “Financial Information — Profit estimate for the year ended 31 March 2017” in this prospectus.*

**A. BASES**

The Directors have prepared the estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 March 2017 based on (i) the audited consolidated results of the Group for the eight months ended 30 November 2016; and (ii) the unaudited consolidated results of the Group based on the management accounts for the four months ended 31 March 2017. The estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as summarised in the accountant’s report, the text of which is set out in Appendix I to this prospectus.

**B. LETTERS****(1) Letter from our reporting accountants**

*The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors and the Sole Sponsor from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of the Company for the year ended 31 March 2017.*

**Deloitte.****德勤**

16 May 2017

The Directors  
Hao Bai International (Cayman) Limited  
Room 95-12, 12/F  
No. 93-95 Lai Chi Kok Road  
Prince Edward, Kowloon  
Hong Kong

CLC International Limited  
13th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

Dear Sirs,

Hao Bai International (Cayman) Limited (the “**Company**”)**PROFIT ESTIMATE FOR YEAR ENDED 31 MARCH 2017**

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as the “**Group**”) attributable to owners of the Company for the year ended 31 March 2017 (“the **Profit Estimate**”) set forth in the section headed “Financial Information” in the prospectus of the Company dated 16 May 2017 (the “**Prospectus**”).

**DIRECTORS' RESPONSIBILITIES**

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the eight months ended 30 November 2016 and the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 March 2017.

The Company's directors are solely responsible for the Profit Estimate.

**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 Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**REPORTING ACCOUNTANTS’ RESPONSIBILITIES**

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the Company’s directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

**OPINION**

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 16 May 2017, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## (2) Letter from the Sole Sponsor

16 May 2017

The Directors  
**Hao Bai International (Cayman) Limited**

Dear Sirs,

We refer to the estimate of the consolidated profit of Hao Bai International (Cayman) Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) attributable to the owners of the Company for the year ended 31 March 2017 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated 16 May 2017 (the “**Prospectus**”).

The Profit Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on (i) the audited consolidated results of the Group for the eight months ended 30 November 2017; and (ii) the unaudited consolidated results of the Group based on its management accounts for the four months ended 31 March 2017.

We have discussed with you the bases made by you, as set forth in Part (A) of Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 16 May 2017 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations normally adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of  
**CLC International Limited**  
**Michael Chum**  
*Chief Executive Officer*

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and its articles of association (the “Articles”).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 12 May 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting



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two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

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The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

### *(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

### *(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

### *(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

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due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

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The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

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regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

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proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

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*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.



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Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

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(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic

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form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

### **(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

### **(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

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**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### **(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

#### **(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the



## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.



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**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

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duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 9 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

### **(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

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**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT THE COMPANY

### 1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 November 2015. The Company has established a principal place of business in Hong Kong at Room 95–12, 12/F., No. 93–95 Lai Chi Kok Road, Prince Edward, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 4 August 2016. Mr. Chong Ching Hoi, the company secretary of the Company, has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix IV to this prospectus.

### 2. Changes in share capital of the Company

- (a) As at the date of incorporation, the Company has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One fully-paid share of US\$1.00 each of the Company was allotted and issued to the subscriber on 23 November 2015, and was subsequently transferred to Harmony Asia International on the same day.
- (b) On 5 February 2016, pursuant to a subscription agreement dated 11 January 2016, 1,376 shares of US\$1.00 each of the Company were allotted and issued to the First Pre-IPO Investor at a consideration of HK\$10,000,000.
- (c) On 5 February 2016, pursuant to a sale and purchase agreement dated the same among (i) Mr. Nam as vendor; (ii) Harmony Asia Holdings; (iii) Best Innovation (HK) Holdings; and (iv) the Company as purchaser, 7,499 shares of US\$1.00 each of the Company were allotted and issued to Harmony Asia International as consideration for the acquisition by the Company of the entire issued share capital of Harmony Asia. The consideration of HK\$1.00 for the acquisition by the Company of the entire issued share capital of Best Innovation HK was satisfied in cash.
- (d) On 8 April 2016, pursuant to a subscription agreement dated the same, 1,124 shares of US\$1.00 each of the Company were allotted and issued to the Second Pre-IPO Investor at a consideration of HK\$8,000,000.
- (e) on 19 January 2017, our Company increased its authorised share capital by HK\$20,000,000 by the creation of 2,000,000,000 Shares of par value HK\$0.01 each (the “**Increase**”) Following the Increase, the Company allotted and issued 7,500 nil paid Shares, 1,376 nil paid Shares and 1,124 nil paid Shares to Harmony Asia International, the First Pre-IPO Investor and the Second Pre-IPO Investor respectively, for an aggregate price of US\$10,000 (the “**Subscription Price**”).

- (f) on 19 January 2017, our Company repurchased all the existing 10,000 shares of US\$1.00 each (the “**Existing Shares**”) for an aggregate price of US\$10,000 (the “**Repurchase Price**”), which was offset against the Subscription Price, following which all the Existing Shares were cancelled and the authorised but unissued share capital of our Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value of US\$1.00 each in the share capital of our Company, and the authorised share capital of our Company became HK\$20,000,000 divided into 2,000,000,000 Shares of nominal value of HK\$0.01 each.
- (g) Immediately following completion of the Capitalisation Issue and the Public Offering, and taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 1,300,000,000 Shares will be issued fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued.
- (h) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written shareholders’ resolutions of the Company passed on 12 May 2017” in this appendix and pursuant to the Share Option Scheme, the Company does not have any present intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.
- (i) Save as disclosed in this prospectus, there has been no other alteration in the Company’s share capital since its incorporation.

### **3.(I) Written shareholders’ resolutions of the Company passed on 19 January 2017**

On 19 January 2017, resolutions in writing were passed by the shareholders of the Company pursuant to which the Company approved and adopted the Memorandum with immediate effect, the terms of which are summarised in Appendix IV to this prospectus.

### **3.(II) Written shareholders’ resolutions of the Company passed on 12 May 2017**

On 12 May 2017, the shareholders of the Company passed further resolutions in writing in respect of the following:

- (a) the Company approved and conditionally adopted the Articles with effect from the Listing Date, the terms of which are summarised in Appendix IV to this Prospectus;
- (b) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Public Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Public Offering to rank pari passu with the then existing Shares in all respects;



- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “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 the 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 the Company being credited as a result of the Public Offering, our Directors were authorised to capitalise an amount of HK\$9,749,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 974,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 12 May 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of the 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 the 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 Public Offering, 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 the Company in issue immediately following completion of the Capitalisation Issue and the Public Offering 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 the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and



- (d) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Public Offering 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 the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or 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 the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Public Offering 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 the Company became the holding company of our Group. Please refer to the paragraphs headed “History, Reorganisation and Corporate Structure” in this prospectus for further details.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of the Company are set out in the Accountants’ Report of the Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed “Corporate Reorganisation” in this appendix and in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase of the Shares by the Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by the Company.

### (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 Shareholder on 12 May 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Public Offering but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the 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 the Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The 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.

Subject to the above, our Company may make repurchases out of our profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of the share premium account of our Company. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

*(iii) Connected parties*

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries and a core connected person shall not knowingly sell Shares to the Company on GEM.

***(b) Exercise of the Repurchase Mandate***

On the basis of 1,300,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Public Offering, the Directors would be authorised under the Repurchase Mandate to repurchase up to 130,000,000 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 the Company and its Shareholders for our Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and the Shareholders.

***(d) Funding of repurchases***

In repurchasing the Shares, the 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 the Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for the 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) of any Director, has any present intention to sell any Shares to the 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 law and regulations from time to 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 the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (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 Shareholders' interest, could obtain or consolidate control of the 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 the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our 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 core connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of the Company taken as a whole:



- (a) a subscription agreement dated 11 January 2016 entered into between the Company, the First Pre-IPO Investor and Mr. Nam in relation to the subscription of the Shares representing 15.5% of the total issued share capital of the Company immediately after the completion of the subscription by the First Pre-IPO Investor at a consideration of HK\$10,000,000;
- (b) a sale and purchase agreement dated 5 February 2016 entered into among (i) Mr. Nam; (ii) Harmony Asia Holdings; (iii) Best Innovation (HK) Holdings; and (iv) the Company, in relation to acquisition of (a) the entire issued share capital of Harmony Asia by Harmony Asia Holdings at a consideration of HK\$19,343,803, which was satisfied by Harmony Asia Holdings procuring, and the Company agreeing to be procured, the allotment and issue, credited as fully paid, of 7,499 shares to Harmony Asia International by the Company and (b) the entire issued share capital of Best Innovation HK by Best Innovation (HK) Holdings at a consideration of HK\$1, which was satisfied by cash;

- (c) a subscription agreement dated 8 April 2016 entered into between the Company, the Second Pre-IPO Investor and Mr. Nam in relation to the subscription of the Shares representing 11.24% of the total issued share capital of the Company immediately after the completion of the subscription by the Second Pre-IPO Investor at a consideration of HK\$8,000,000;
- (d) the Deed of Indemnity dated 12 May 2017 and executed by Harmony Asia International and Mr. Nam, in favour of the Company (for itself and as trustee for its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (e) the Deed of Non-Competition dated 12 May 2017 and executed by Harmony Asia International and Mr. Nam in favour of the Company (for itself and as trustee for its subsidiaries), details of which are set out in the paragraph headed “Deed of Non-Competition” under the section headed “Relationship with Controlling Shareholders” in this prospectus; and
- (f) the Underwriting Agreement.

## 2. Intellectual Property Rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Place of registration	Name of owner	Class	Registration no.	Date of registration
	Hong Kong	Harmony Asia	37, 42	303654955	12 January 2016
	Hong Kong	Harmony Asia	37, 42	303654946	12 January 2016

### (b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name which is material to the business of our Group:

Domain name	Registration date	Expiry date
harmonyasia.com	23 January 2014	23 January 2018

**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 the Company and its associated corporations*

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Public Offering, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the 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, will have to be notified to the 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 our Directors, to be notified to the Company and the Stock Exchange, will be as follows:

*(i) Long position in the Shares*

<b>Name of Director</b>	<b>Capacity/Nature</b>	<b>Number of Shares held</b>	<b>Percentage of shareholding</b>
Mr. Nam	Interest in controlled corporation	731,250,000	56.3%

*Note:* These 731,250,000 Shares are held by Harmony Asia International, a company incorporated in Samoa and wholly owned by Mr. Nam. Therefore, Mr. Nam is deemed to be interested in all the Shares held by Harmony Asia International for the purposes of the SFO.

*(ii) Long position in the ordinary shares of associated corporation*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/Nature</b>	<b>No. of share held</b>	<b>Percentage of Interest</b>
Mr. Nam	Harmony Asia International	Beneficial owner	1	100%

**(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 taken up under the Public Offering, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Public Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the 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:

<b>Name</b>	<b>Capacity/Nature</b>	<b>Number of Shares held</b>	<b>Percentage of shareholding</b>
Harmony Asia International	Beneficial owner	731,250,000	56.3%
Mr. Nam	Interest in controlled corporation <i>(Note)</i>	731,250,000	56.3%
First Pre-IPO Investor	Beneficial owner	134,160,000	10.3%
Second Pre-IPO Investor	Beneficial owner	109,590,000	8.4%

*Note:* Harmony Asia International is a company incorporated in Samoa and wholly owned by Mr. Nam. Therefore, Mr. Nam is deemed to be interested in all the Shares held by Harmony Asia International for the purposes of the SFO.

**2. Particulars of service contracts**

None of our Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Each of our Directors has entered into a service contract and appointment letter (as the case may be) with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

**3. Remuneration of Directors**

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016 were approximately HK\$1,746,000, HK\$2,362,000 and HK\$2,060,000 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 years ending 31 March 2017 and 2018 will be approximately HK\$3,040,000 and HK\$3,790,000 respectively.

**4. Agency fees or commissions received**

Save as disclosed in the paragraph headed “Commission and expenses” in the section headed “Underwriting” of this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under Note 33 to the Accountants’ Report of the Company 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 “Further information about the Company” in this appendix, our Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the Capitalisation Issue and the Public Offering, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the 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 the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the 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 the 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 “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 disposed of by or leased to any member of our Group;



- (d) none of our Directors or the experts named in the paragraph headed “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 our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “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 the Company has any interests in the five largest customers or the five largest suppliers 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 the Company, nor are any remuneration or benefits in kind payable by any member of our 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 12 May 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) **Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the Shareholders on 12 May 2017:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) *Who may join*

Our Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors’ option as to his contribution to the development and growth of our Group.

*(iii) Maximum number of Shares*

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on GEM (i.e. not exceeding 130,000,000 Shares) (the “**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit 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 options scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

*(iv) Maximum entitlement of each participant*

Subject to (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a

circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

**(v) *Grant of options to connected persons***

- (aa) Without prejudice to (v)(bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (bb) Without prejudice to (v)(aa) above, where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- i. representing in aggregate over 0.1% of the Shares in issue; and
  - ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to the Shareholders. All proposed grantee, its associates and core connected persons of our Company must abstain from voting at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders of our Company in general meeting.

**(vi) *Time of acceptance and exercise of option***

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

*(vii) Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

*(viii) Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

*(ix) Ranking of Shares*

- (aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.
- (bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

*(x) Restrictions on the time of grant of options*

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Board for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to publish an announcement of its results for any year or half-year (under the GEM Listing Rules), or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the announcement of the results, no offer may be made.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

***(xi) Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

***(xii) Rights on ceasing employment***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

***(xiii) Rights on death, ill-health or retirement***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

***(xiv) Rights on dismissal***

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

***(xv) Rights on breach of contract***

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has

become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

***(xvi) Rights on a general offer, a compromise or arrangement***

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

***(xvii) Rights on winding up***

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

***(xviii) Grantee being a company wholly owned by Eligible Participants***

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and



- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

***(xix) Adjustments to the subscription price***

In the event of a rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iv) any adjustment must be made in compliance with the GEM Listing Rule and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange.

***(xx) Cancellation of options***

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to subparagraphs (iii) (cc) and (dd) above.

***(xxi) Termination of the Share Option Scheme***

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

***(xxii) Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable.



*(xxiii) Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period for exercise of the options referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii); and
- (cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

*(xxiv) Others*

- (aa) The Share Option Scheme is conditional on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of our Company in general meeting.

**(b) Present status of the Share Option Scheme***(i) Approval of the Stock Exchange required*

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

*(ii) Application for approval*

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

*(iii) Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

*(iv) Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Mr. Nam and Harmony Asia International (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity referred to in paragraph (d) of the section headed “Summary of material contracts” in this appendix, given joint and several indemnities to the 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 in respect of projects of the Group located in Hong Kong and Macau on or before the date on which the Public Offering 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 Public Offering becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, fines and penalties of whatever nature suffered or incurred by any member of our Group as a result of or in connection with alleged or actual violation or failure to, delay in or defective compliance with any laws, regulations, rules and administrative orders or measures, any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings in Hong Kong or Macau instituted by or against any member of our Group in relation to events occurred on or before the date on which the Public Offering becomes unconditional, including but not limited to the non-

compliance incident set out in the paragraphs headed “Business — Legal compliance — Late Tax Registration and Tax Filings in respect of Harmony Asia in Macau” of this prospectus. 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 combined accounts of the 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 Public Offering becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 30 November 2016 up to and including the date on which the Public Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sponsor has made an application on behalf of the Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor’s fee in relation to the Listing is HK\$7.2 million.

## **4. Preliminary expenses**

The preliminary expenses relating to the incorporation of the Company are approximately HK\$28,000 and are payable by the Company.

## **5. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed CLC International Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date, and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

**6. Promoter**

The Company has no promoter for the purpose of the GEM Listing Rules.

**7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
CLC International Limited	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Frost & Sullivan	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Nuno Simões & Associates	Macau legal adviser
HMV & Associates	Macau tax adviser

**8. Consents of experts**

Each of CLC International Limited, Deloitte Touche Tohmatsu, Frost & Sullivan, Conyers Dill & Pearman, Nuno Simões & Associates and HMV & Associates has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

**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 of the provisions (other than the 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 the Company in the Cayman Islands will be maintained by Conyers Trust Company (Cayman) Limited and a branch register of members of the Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the 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 there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 30 November 2016 (being the date to which the latest audited 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 the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) Cayman Islands**

No stamp duty is payable in the Cayman Islands on 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 Public Offering 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**

(a) Save as disclosed in this prospectus:

(i) Within the two years immediately preceding the date of this prospectus:

(aa) no share or debenture of the Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than in cash;

(bb) no commissions, discounts, brokerage fee 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 the Company or any of its 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 sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued; and
- (ee) no share or loan capital of the 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 CLC International Limited, Deloitte Touche Tohmatsu, Frost & Sullivan, Conyers Dill & Pearman, Nuno Simões & Associates and HMV & Associates:
  - (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) the Company and its 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 the Chinese name of the Company has been registered in the Cayman Islands as a dual foreign name and under Cayman Islands law, the Company may use the Chinese name in conjunction with its English name;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) our Group has no outstanding convertible debt securities; and
- (viii) the English text of this prospectus shall prevail over the Chinese text.

#### **14. Bilingual document**

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).

<b>APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b>
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## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — Other information — Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — Further information about the business — Summary of material contracts” in Appendix V to this prospectus.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of CFN Lawyers in association with Broad & Bright at 27th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles of Association;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the letters relating to the profit estimate issued by Deloitte Touche Tohmatsu and the Sole Sponsor respectively, the text of which are set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of the Group for the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2016;
- (f) the F&S Report;
- (g) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain respects of Cayman company law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus;
- (h) the tax expert opinion prepared by HMV & Associates in respect of tax liability of Harmony Asia in Macau;
- (i) the Companies Law;

<b>APPENDIX VI</b>	<b>DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b>
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- (j) the material contracts referred to in the section headed “Statutory and General Information — Further information about the business — Summary of material contracts” in Appendix V to this prospectus;
- (k) the service contracts and appointment letters entered into between our Company and each of the Directors referred to in the paragraph headed “Statutory and General Information — Further information about substantial shareholders, Directors and experts — Particulars of service contracts” in Appendix V to this prospectus;
- (l) the written consents referred to in the section headed “Statutory and General Information — Other information — Consents of experts” in Appendix V to this prospectus; and
- (m) the rules of the Share Option Scheme.



**Hao Bai International (Cayman) Limited**  
**浩柏國際（開曼）有限公司**